

WEST LIBERTY UNIVERSITY
FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2016 AND 2015

**WEST LIBERTY UNIVERSITY
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INDEPENDENT AUDITORS' REPORT

Governing Board
West Liberty University
West Liberty, West Virginia

Report on the Financial Statements

We have audited the accompanying financial statements of the business type activities and the discretely presented component unit of West Liberty University (the University) as of and for the years ended June 30, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the West Liberty University Foundation, Inc. (the Foundation). Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller of the United States. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the University's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of the other auditor, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business type activities and the discretely presented component unit of West Liberty University, as of June 30, 2016 and 2015, and the respective changes in the financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.


Other Matter

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 to 10 and the Schedules of Proportionate Share of Net Pension Liability and Contributions on page 64 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 23, 2017, on our consideration of the University's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
January 23, 2017



208 University Drive
CUB 109
West Liberty, WV 26074-0295

Management Discussion and Analysis Fiscal Year 2016 (Unaudited) Financial Statements

About West Liberty University

West Liberty University (“WLU” or “University”) is a state supported institution founded in 1837 and is West Virginia’s oldest institution of higher education. Founded as West Liberty Academy, it was privately operated until 1870 when it became West Liberty State Normal School. The name was changed to West Liberty State Teachers College in 1931 and West Liberty State College in 1943. It was approved to become a “University” by the Higher Education Policy Commission in November 2008 and approved by the Board of Governors’ in May 2009.



West Liberty University serves approximately 2500 students representing 27 states and the District of Columbia and 22 countries. WLU grants baccalaureate degrees in elementary and secondary education, arts and sciences, business administration, health sciences as well graduate degrees in Education, Professional Studies, Physician Assistant Studies, Business Administration and Criminology.

West Liberty University is governed by a 12 member Board of Governors that determines, controls, supervises, and manages the financial, business and educational policies and affairs of the University.

Overview of the Financial Statements and Financial Analysis

The following discussion and analysis of WLU’s financial statements provides an overview of its financial activities for fiscal years 2016 and 2015 with an emphasis on the year ended June 30, 2016 and is required supplementary information prepared in accordance with Governmental Accounting Standards Board (GASB).

The Government Accounting Standards Board (GASB) has revised the financial reporting guidelines for organizations that support government entities, effective for reporting periods beginning after June 15, 2003. Under GASB Statement No. 39, if a private foundation that provides financial support to a public college or university meets specified criteria, the university is required to include the foundation’s financial activities in the university’s financial statements. As a result, the financial statements of the West Liberty University Foundation are discretely presented following the University’s financial statements. The University does not control the resources of the Foundation and therefore, discussion and analysis of this component unit is not included. The West Liberty University Research Corporation is presented as a component entity of the University.

There are three financial statements presented: the Statement of Net Position; the Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows.

Statement of Net Position

The Statement of Net Position presents the Assets (current and non-current) plus deferred outflows of resources, Liabilities (current and non-current) plus deferred inflows of resources, and Net Position (assets plus deferred outflows minus liabilities plus deferred inflows) of WLU as of June 30, 2016 and 2015. Assets denote the resources available to continue the operations of the University. Liabilities indicate how much the University owes vendors, employees and lenders. Deferred outflows and inflows are a consumption or acquisition of net assets applicable to a future reporting period and Net Position measures the equity or the availability of funds of the University for future periods.

Net position is divided into three major categories. The first category, net investment in capital assets, provides equity in the property, plant, and equipment owned by WLU, net of related debt. The next category is restricted net position, which is divided into two categories, nonexpendable (permanently restricted) and expendable. Expendable restricted net position is available for expenditure but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The balances that have been restricted by the West Virginia Legislature (“Legislature”) are within the expendable net position. These restricted activities are fundamental to the normal ongoing operations of WLU and are subject to change by future actions of the Legislature. The final category is unrestricted net position, which is available for expenditure for any lawful purpose of WLU.



**Condensed Statements of Net Position
(In Thousands)**

	2016	2015	2014
ASSETS:			
Current assets	\$8,321	\$8,932	\$8,228
Other noncurrent assets	1,752	1,900	2,921
Capital assets — net	74,461	76,673	75,090
Deferred outflow	204	174	95
TOTAL ASSETS & DEFERRED OUTFLOWS	\$84,738	\$87,679	\$86,334
LIABILITIES:			
Current liabilities	\$3,818	\$4,197	\$4,916
Noncurrent liabilities	26,403	27,859	28,154
Deferred inflow	200	252	77
TOTAL LIABILITIES & DEFERRED INFLOWS	30,421	32,308	33,147
NET POSITION:			
Invested in capital assets, net of related debt	57,133	58,155	56,471
Restricted expendable	312	107	39
Unrestricted	(3,128)	(2,891)	(3,323)
TOTAL NET POSITION	54,317	55,371	53,187
TOTAL LIABILITIES, DEFERRED INFLOWS & NET POSITION	\$84,738	\$87,679	\$86,334

A review of the individual asset and liabilities categories that contributed to the overall decrease in net position indicates the following:



2016:

Capital assets (net) decreased by \$2,211,913 due to depreciation expense. Current Cash and Cash Equivalents decreased by \$620,889.

Current Liabilities decreased by \$379,125. As with the prior year, this decrease is tied to a reduction in outstanding accounts payable at year end and a decrease in construction work in progress.

2015:

Assets and Deferred Outflows increased by \$1,344,167 due to the completion of several capital projects. Current Cash and Cash Equivalents increased by \$818,506.

Current Liabilities decreased by \$719,505. This was primarily due to a reduction in outstanding accounts payable at year-end and a decrease in construction work in progress.

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total net position, as presented on the Statement of Net Position, is based on the activities presented in the Statement of Revenues, Expenses, and Changes in Net Position (SRECNP). The purpose of the SRECNP is to present the revenues earned, both operating and non-operating, and the expenses incurred, operating and non-operating, and any other revenues, expenses, gains and losses earned or incurred by WLU.

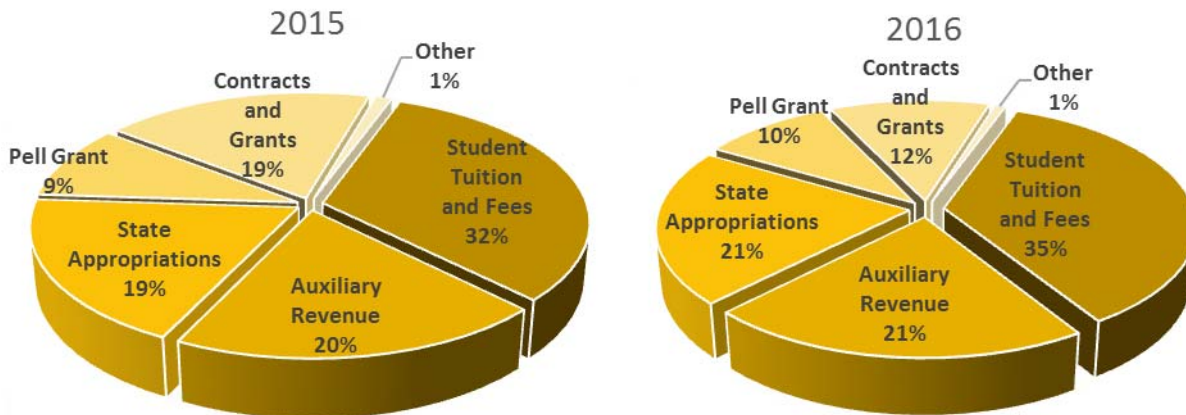
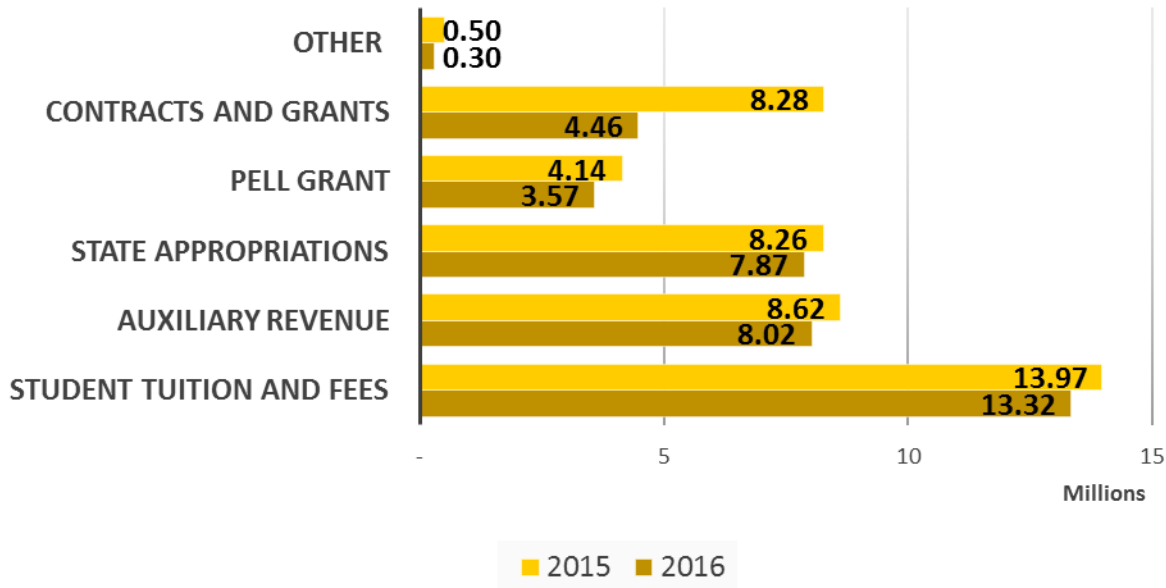
Generally speaking, operating revenues are earned for providing goods and services to the various customers and constituencies of WLU. Operating expenses are those expenses incurred to acquire or produce the goods and services provided in return for the operating revenues, and to carry out the WLU mission. Revenues for which goods and services are not provided are reported as non-operating revenues. For example, state appropriations are non-operating revenues because they are provided by the Legislature to WLU without the Legislature directly receiving commensurate goods and services for those revenues. Likewise, Pell grants are reported as non-operating, because of specific guidance in the AICPA industry audit guide.

Condensed Statements of Revenues, Expenses and Changes in Net Position (In Thousands)

	2016	2015	2014
OPERATING REVENUES	\$26,059	\$31,229	\$29,427
OPERATING EXPENSES	38,153	40,532	40,251
OPERATING LOSS	(12,094)	(9,303)	(10,824)
NON-OPERATING REVENUES (NET OF NON-OPERATING EXPENSES)	11,040	12,054	12,480
(DECREASE) INCREASE IN NET POSITON	(1,054)	2,751	1,656
CAPITAL AND BOND PROCEEDS	-	225	3,447
INCREASE (DECREASE) IN NET POSITION	(1,054)	2,976	5,103
NET POSITION — Beginning of year	55,371	53,187	48,084
RESTATEMENT — for July 1, 2014, Pension Liability	-	(792)	-
NET POSITION — Beginning of year, restated	55,371	52,395	48,084
NET POSITION — End of year	\$54,317	\$55,371	\$53,187

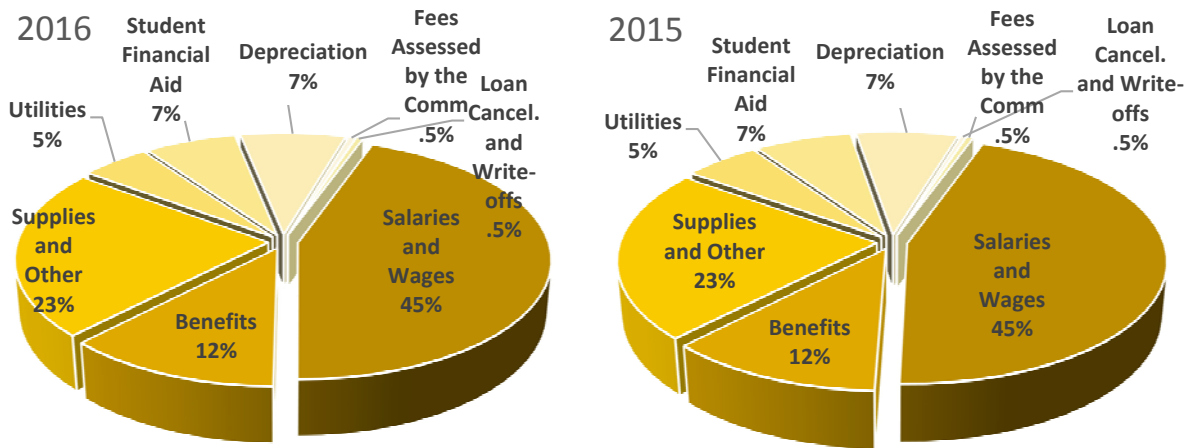
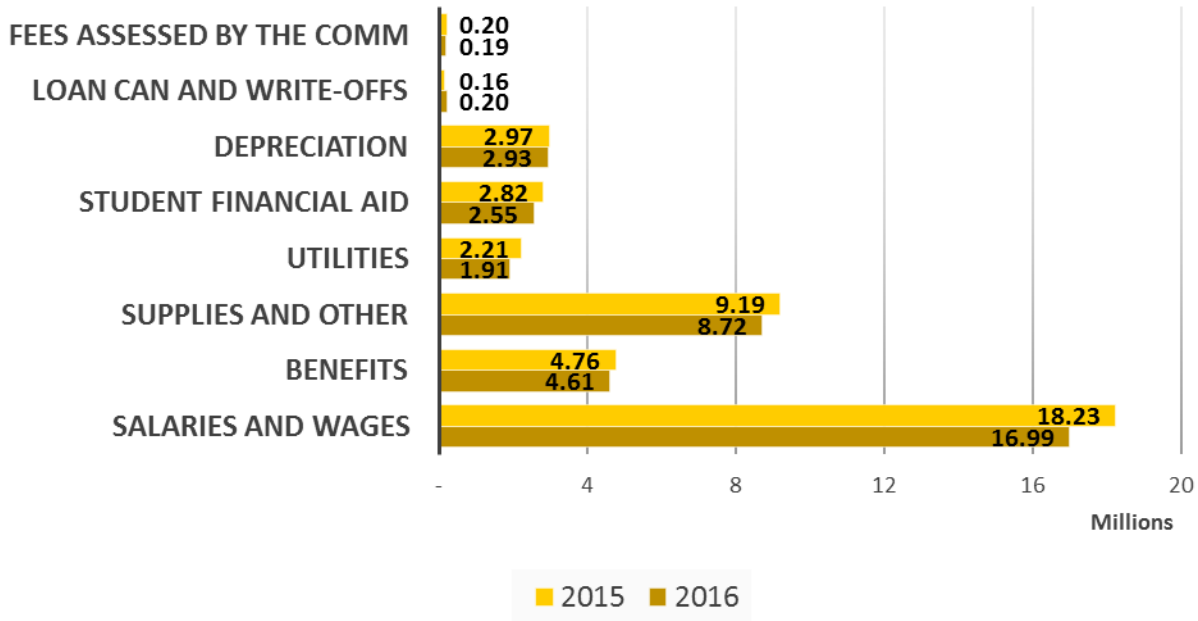
A review of the individual revenue and expense categories that contributed to the overall decrease in net position for FY16 and increase in net position for FY15 reveals the following:

Revenue Trends



- Student tuition and fees (net of scholarship allowance) accounted for 51% of WLU’s operating revenues in FY16 and 45% in FY15 and 35% of total revenues in FY16 and 32% of total revenues in FY15.
- Contracts and grants have decreased by \$3,815,027 between June 30, 2016 and June 30, 2015. Contracts and grants account for 12% and 19% of revenue for FY16 and FY15, respectively.
- Pell grant revenue decreased from \$4,142,994 in FY15 to \$3,572,488 in FY16.
- The State Appropriation decreased from \$8,255,151 in FY15 to \$7,868,870 in FY16.

Operating Expense Trends



- Salary/wages and employee benefit categories made up 57% of the operating expenses of WLU in both FY16 and FY15. The University has fully funded the Mercer Scale for Classified Staff. Due to decreases in personnel resulting from cost efficiency strategies, salary and wages decreased \$1,240,406 from FY15; benefits decreased by \$146,339.

Statement of Cash Flows

The Statement of Cash Flows presents detailed information about the cash activities of WLU during the year. The statement is divided into five parts. The first section deals with operating cash flows and shows the net cash used in the operating activities of WLU. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and noncapital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital assets and related items, and related funding received. The fourth section reflects the cash flows from investing activities and shows interest received from investing activities. The fifth section reconciles the net cash used in operating activities to the operating loss reflected in the SRECNP.

Condensed Statements of Cash Flows (In Thousands)

	2016	2015	2014
Cash Provided by (Used in)			
OPERATING ACTIVITIES	\$(9,194)	\$(6,156)	\$(7,735)
NONCAPITAL FINANCING ACTIVITIES	11,456	12,391	12,769
CAPITAL FINANCING ACTIVITIES	(2,909)	(5,427)	(7,565)
INVESTING ACTIVITIES	<u>26</u>	<u>10</u>	<u>13</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(621)	819	(2,518)
CASH AND CASH EQUIVALENTS — Beginning of year	<u>7,321</u>	<u>6,502</u>	<u>9,020</u>
CASH AND CASH EQUIVALENTS — End of year	<u><u>\$6,700</u></u>	<u><u>\$7,321</u></u>	<u><u>\$6,502</u></u>

Capital Asset and Debt Administration

2016 Capital:

- Capital projects completed in FY16 were funded by the University and include the installation of a new boiler system for Blatnik Hall \$275,346 and completion of the Elbin Library Fire Alarm System, \$79,994.

2015 Capital:

- The Football Stadium project was completed in FY15. Total cost of the construction approximated \$3,684,700 and was funded by private donors.
- Other capital projects completed in FY15 included: Kelly Theater renovations \$188,625 funded by private/grant funds, Main Hall Chiller \$577,341 (\$275,322 provided by HEPC 50/50 match), ADA improvements \$437,982 funded by the University.



2016 and 2015 Debt:

- Principal repayments on 2012 Bond and 2013 Refinancing Bond amounted to \$1,195,000 and \$1,175,000 for FY16 and FY15, respectively.

Economic Outlook

National college enrollment has been declining since 2011. Despite the decrease in enrollment the University remains very competitive with four-year educational institutions both regionally and nationally.

The University continues to implement cost efficiency strategies and invest in initiatives that will increase retention and enrollment. The University has seen an increase in incoming freshman and transfers for the 2016-2017 academic year and is confident that enrollment will continue to grow over the coming years. Our strategic planning process has ensured that we overcome any challenges faced due to changes in enrollment and possible additional reductions of State support.

The University continues to broaden its programs of study. The following programs began classes in Fall 2016; Bachelor of Science in Zoo Science, Master in Business Administration, and the Master of Criminology. We are currently in the planning phases of several other master's programs including; Master of Science Biology (projected start Aug. 2017), Master of Science in Dental Hygiene (projected start Aug. 2018), and Master of Clinical Psychology (projected start Aug. 2018).

**WEST LIBERTY UNIVERSITY
STATEMENTS OF NET POSITION
JUNE 30, 2016 AND 2015**

	2016	2015
ASSETS AND DEFERRED OUTFLOWS		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 6,699,811	\$ 7,320,700
Accounts Receivable - Net	1,087,031	1,074,728
Loans to Students - Current Portion	410,086	410,820
Prepaid Expenses	600	773
Inventories	106,045	104,925
Arrears Pay Conversion Receivable - Current Portion	16,945	19,598
Total Current Assets	8,320,518	8,931,544
 NONCURRENT ASSETS		
Cash and Cash Equivalents, Held by Trustee	836,154	952,275
Loans to Students - Net of Allowance of \$847,440 in 2016 and \$813,573 in 2015	728,229	725,956
Arrears Pay Conversion Receivable	188,018	222,132
Capital Assets - Net	74,461,139	76,673,052
Total Noncurrent Assets	76,213,540	78,573,415
Total Assets	84,534,058	87,504,959
 DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding of Debt - Net	80,353	87,755
Deferred Outflows Related to Pension	123,993	85,928
Total Assets and Deferred Outflows	\$ 84,738,404	\$ 87,678,642

See accompanying Notes to Financial Statements.

WEST LIBERTY UNIVERSITY
STATEMENTS OF NET POSITION (CONTINUED)
JUNE 30, 2016 AND 2015

LIABILITIES, DEFERRED INFLOWS AND NET POSITION	2016	2015
CURRENT LIABILITIES		
Accounts Payable	\$ 249,498	\$ 491,902
Accrued Liabilities	2,127,744	2,192,848
Unearned Revenues	18,750	123,945
Compensated Absences	53,595	52,433
Debt Obligation to Commission - Current Portion	148,336	140,920
Bonds Payable - Current Portion	1,220,000	1,195,000
Total Current Liabilities	3,817,923	4,197,048
NONCURRENT LIABILITIES		
Advances from Federal Sponsors	1,296,172	1,515,182
Compensated Absences, Net of Current Portion	808,326	1,100,201
Other Post Employment Benefits Liability	6,868,686	6,463,819
Net Pension Liability	655,522	637,277
Debt Obligation to Commission, Net of Current Portion	1,854,207	2,002,543
Bonds Payable, Net of Current Portion	14,920,000	16,140,000
Total Noncurrent Liabilities	26,402,913	27,859,022
Total Liabilities	30,220,836	32,056,070
DEFERRED INFLOWS OF RESOURCES		
Service Concession Arrangement - Net	67,514	79,468
Deferred Inflows Related to Pension	132,383	172,028
Total Liabilities and Deferred Inflows	30,420,733	32,307,566
NET POSITION		
Net Investment in Capital Assets	57,133,384	58,155,151
Restricted for - Expendable:		
Scholarships	312,340	20,070
Capital Projects	-	86,702
Unrestricted (Deficit)	(3,128,053)	(2,890,847)
Total Net Position	54,317,671	55,371,076
Total Liabilities, Deferred Inflows, and Net Position	\$ 84,738,404	\$ 87,678,642

See accompanying Notes to Financial Statements.

WEST LIBERTY UNIVERSITY
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
OPERATING REVENUES		
Student Tuition and Fees - Net of Scholarship Allowance of \$5,722,586 in 2016 and \$6,228,926 in 2015	\$ 13,319,776	\$ 13,967,963
Contracts and Grants:		
Federal	985,316	801,371
State	3,275,622	3,770,993
Private	201,569	3,705,170
Interest on Student Loans Receivable	35,956	40,798
Auxiliary Enterprise Revenue - Net of Scholarship Allowance of \$3,443,407 in 2016 and \$3,847,321 in 2015	8,018,205	8,618,569
Miscellaneous	223,089	324,369
Total Operating Revenues	26,059,533	31,229,233
OPERATING EXPENSES		
Salaries and Wages	16,994,324	18,234,730
Benefits	4,667,105	4,759,978
Supplies and Other Services	8,715,349	9,191,157
Utilities	1,908,999	2,207,608
Student Financial Aid - Scholarships and Fellowships	2,549,593	2,819,899
Depreciation and Amortization	2,928,760	2,965,294
Loan Cancellations and Write-Offs	200,677	155,377
Fees Assessed by the Commission for Operations	188,291	198,047
Total Operating Expenses	38,153,098	40,532,090
OPERATING LOSS	(12,093,565)	(9,302,857)
NONOPERATING REVENUES (EXPENSES)		
State Appropriations	7,868,870	8,255,151
Federal Pell Grants	3,572,488	4,142,994
Investment Income	28,154	10,331
Payments on Behalf of the University	112,931	85,068
Loss on Disposal of Capital Assets	(12,413)	(6,960)
Interest on Indebtedness	(522,542)	(353,881)
Fees Assessed by the Commission for Debt Service	(30,579)	(129,771)
Other Nonoperating Income	23,251	51,010
Net Nonoperating Income	11,040,160	12,053,942
INCOME (LOSS) BEFORE OTHER REVENUES, EXPENSES, GAINS OR LOSSES	(1,053,405)	2,751,085
CAPITAL AND BOND PROCEEDS FROM COMMISSION	-	225,322
INCREASE (DECREASE) IN NET POSITION	(1,053,405)	2,976,407
Net Position - Beginning of Year	55,371,076	53,187,210
Restatement for July 1, 2014, Pension Liability	-	(792,541)
Net Position - Beginning of Year, Restated	55,371,076	52,394,669
NET POSITION - END OF YEAR	\$ 54,317,671	\$ 55,371,076

See accompanying Notes to Financial Statements.

WEST LIBERTY UNIVERSITY
STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Student Tuition and Fees	\$ 13,352,460	\$ 14,055,112
Contracts and Grants	3,576,787	7,626,618
Payments to and on Behalf of Employees	(21,147,562)	(22,991,116)
Payments to Suppliers	(8,676,922)	(9,082,506)
Payments to Utilities	(1,968,156)	(2,165,521)
Payments for Scholarships and Fellowships	(2,549,593)	(2,819,899)
Loans Issued to Students	(239,122)	(261,360)
Collection of Loans to Students	224,193	342,198
Auxiliary Enterprise Charges	8,095,576	8,746,938
Fees Assessed by Commission	(188,291)	(198,048)
Other Receipts - Net	326,791	591,721
Net Cash Used by Operating Activities	(9,193,839)	(6,155,863)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State Appropriations	7,868,870	8,255,151
Federal Pell Grants	3,587,203	4,135,520
William D. Ford Direct Lending Receipts	14,464,335	15,059,527
William D. Ford Direct Lending Payments	(14,464,335)	(15,059,527)
Net Cash Provided by Noncapital Financing Activities	11,456,073	12,390,671
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES		
Purchases of Capital Assets	(1,173,406)	(5,040,622)
State Capital Grants (Federal)	-	225,322
Principal Paid on Long-Term Liabilities	(140,920)	(135,358)
Principal Paid on Bonds	(1,195,000)	(1,175,000)
Interest Paid on Bonds	(427,230)	(449,340)
Other Nonoperating Receipts	35,517	79,100
Reductions of Noncurrent Cash and Cash Equivalents	116,142	1,198,954
Fees Assessed by Commission	(124,356)	(129,772)
Net Cash Used by Capital Financing Activities	(2,909,253)	(5,426,716)
CASH FLOWS FROM INVESTING ACTIVITY		
Interest on Investments	26,130	10,414
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(620,889)	818,506
Cash and Cash Equivalents - Beginning of Year	7,320,700	6,502,194
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 6,699,811	\$ 7,320,700

See accompanying Notes to Financial Statements.

WEST LIBERTY UNIVERSITY
STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2016 AND 2015

	2016	2015
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating Loss	\$ (12,093,565)	\$ (9,302,857)
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities:		
Depreciation and Amortization Expense	2,928,760	2,965,294
Bad Debt Expense	200,677	(272,756)
Payments on behalf of the University	(112,931)	(85,068)
Effect of Changes in Operating Assets and Liabilities:		
Accounts Receivable	19,499	448,264
Loans to Students	(35,406)	113,688
Prepaid Expenses	34,286	718
Inventories	(1,120)	5,460
Accounts Payable	(147,227)	(336,058)
Due to Commission	(10,807)	18,101
Accrued Liabilities	(57,239)	(155,337)
Compensated Absences	(291,876)	(7,205)
Other Postemployment Benefits	404,868	362,055
Net Pension Liability	53,466	15,904
Unearned Revenues	(105,195)	4,979
Advances from Federal Sponsors	(20,974)	58,964
Other	40,945	9,991
Net Cash Used by Operating Activities	\$ (9,193,839)	\$ (6,155,863)
NONCASH TRANSACTIONS		
Property Additions in Accounts Payable and Accrued Liabilities	\$ 17,136	\$ 153,604

See accompanying Notes to Financial Statements.

**WEST LIBERTY UNIVERSITY
WEST LIBERTY UNIVERSITY FOUNDATION, INCORPORATED
A COMPONENT UNIT OF WEST LIBERTY UNIVERSITY
STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2016 AND 2015**

	2016	2015
ASSETS		
Cash and Cash Equivalents	\$ 69,844	\$ 12,446
Unconditional Promises to Give	242,226	210,195
Other Receivables	12,059	12,059
Investments at Estimated Fair Value	12,461,210	12,978,974
Beneficial Interest in Perpetual Trust	2,056,347	2,168,924
Other Assets	67,707	61,107
Total Assets	\$ 14,909,393	\$ 15,443,705
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Expenses	\$ 11,075	\$ 11,924
Liability for Charitable Gift Annuities	24,701	37,837
Total Liabilities	35,776	49,761
NET ASSETS		
Unrestricted	1,282,238	1,464,049
Temporarily Restricted	3,494,435	3,970,539
Permanently Restricted	10,096,944	9,959,356
Total Net Assets	14,873,617	15,393,944
Total Liabilities and Net Assets	\$ 14,909,393	\$ 15,443,705

See accompanying Notes to Financial Statements.

WEST LIBERTY UNIVERSITY
WEST LIBERTY UNIVERSITY FOUNDATION, INCORPORATED
A COMPONENT UNIT OF WEST LIBERTY UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

	2016			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUES				
Contributions	\$ 78,623	\$ 1,058,406	\$ 155,833	\$ 1,292,862
Investment Income (Loss)	(127,267)	(226,240)	94,332	(259,175)
Change in Value of Split Interest				
Agreements	-	-	(112,577)	(112,577)
Special Events	77,242	-	-	77,242
Other Income	138,810	-	-	138,810
Net Assets Released from				
Restrictions and Other	1,308,270	(1,308,270)	-	-
Total Support and Revenues	<u>1,475,678</u>	<u>(476,104)</u>	<u>137,588</u>	<u>1,137,162</u>
EXPENSES AND LOSSES				
West Liberty University Support:				
Scholarships	460,414	-	-	460,414
Athletic Programs	118,725	-	-	118,725
Academic Programs	403,475	-	-	403,475
Capital Improvements	38,197	-	-	38,197
Other Programs	416,959	-	-	416,959
General and Administrative	152,184	-	-	152,184
Fundraising	67,535	-	-	67,535
Total Expenses and Losses	<u>1,657,489</u>	<u>-</u>	<u>-</u>	<u>1,657,489</u>
CHANGES IN NET ASSETS	(181,811)	(476,104)	137,588	(520,327)
Net Assets - Beginning of Year	<u>1,464,049</u>	<u>3,970,539</u>	<u>9,959,356</u>	<u>15,393,944</u>
NET ASSETS - END OF YEAR	<u>\$ 1,282,238</u>	<u>\$ 3,494,435</u>	<u>\$ 10,096,944</u>	<u>\$ 14,873,617</u>

See accompanying Notes to Financial Statements.

WEST LIBERTY UNIVERSITY
WEST LIBERTY UNIVERSITY FOUNDATION, INCORPORATED
A COMPONENT UNIT OF WEST LIBERTY UNIVERSITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

	2015			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
SUPPORT AND REVENUES				
Contributions	\$ 161,543	\$ 731,633	\$ 131,272	\$ 1,024,448
Investment Income	312,214	309,847	104,661	726,722
Change in Value of Split Interest Agreements	-	-	(101,621)	(101,621)
Special Events	59,850	-	-	59,850
Other Income	80,760	-	-	80,760
Net Assets Released from Restrictions and Other	4,356,690	(4,356,690)	-	-
Total Support and Revenues	<u>4,971,057</u>	<u>(3,315,210)</u>	<u>134,312</u>	<u>1,790,159</u>
EXPENSES AND LOSSES				
West Liberty University Support:				
Scholarships	552,680	-	-	552,680
Athletic Programs	137,674	-	-	137,674
Academic Programs	214,402	-	-	214,402
Capital Improvements	3,380,168	-	-	3,380,168
Other Programs	346,710	-	-	346,710
General and Administrative	133,740	-	-	133,740
Fundraising	67,033	-	-	67,033
Total Expenses and Losses	<u>4,832,407</u>	<u>-</u>	<u>-</u>	<u>4,832,407</u>
CHANGES IN NET ASSETS	138,650	(3,315,210)	134,312	(3,042,248)
Net Assets - Beginning of Year	<u>1,325,399</u>	<u>7,285,749</u>	<u>9,825,044</u>	<u>18,436,192</u>
NET ASSETS - END OF YEAR	<u>\$ 1,464,049</u>	<u>\$ 3,970,539</u>	<u>\$ 9,959,356</u>	<u>\$ 15,393,944</u>

See accompanying Notes to Financial Statements.

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 1 ORGANIZATION

West Liberty University (the University) is governed by the West Liberty University Board of Governors (the Board). The Board was established by Senate Bill 653 (S.B. 653).

Powers and duties of the Board include, but are not limited to, the power to determine, control, supervise, and manage the financial, business, and educational policies and affairs of the University under its jurisdiction, the duty to develop a master plan for the institution, the power to prescribe the specific functions and the University's budget request, the duty to review, at least every five years, all academic programs offered at the University, and the power to fix tuition and other fees for the different classes or categories of students enrolled at its institution.

S.B. 653 also created the West Virginia Higher Education Policy Commission (the Commission), which is responsible for developing, gaining consensus around, and overseeing the implementation and development of a higher education public policy agenda.

West Liberty University Research Corporation (WLURC) has been created to foster and support research and academic program development at the University and further to provide services for inventions of the University faculty, staff, and students; and has been designated by the University to fulfill the provisions of the West Virginia Code pertaining to the role of public institutions to work in partnership with business, industry, or government. The University encourages the acceptance of grants, contracts, and equipment and the sharing of facilities, equipment, and skilled personnel to promote and develop joint, applied research and development, technical assistance, and instructional programs in West Virginia. WLURC has an approved Affiliation Agreement with the West Liberty University Board of Governors on behalf of West Liberty University providing for services and activities related to promotion, encouragement, and stimulation of research. This Affiliation Agreement is effective beginning July 1, 2010, and will be renewed automatically from fiscal year to fiscal year unless terminated or revised in writing by the parties as provided hereinafter within ninety (90) days of commencement of each new fiscal year.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the University have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP), as prescribed by Governmental Accounting Standards Board (GASB) standards. The financial statement presentation required by GASB provides a comprehensive, entity-wide perspective of the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, revenues, expenses, changes in net position, and cash flows.

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity

The University is a blended component unit of the West Virginia Higher Education Fund which represents separate funds of the State of West Virginia (the State) that are not included in the State's general fund. The University is a separate entity which, along with all the State institutions of higher education, the Commission (which includes the West Virginia Network for Educational Telecomputing (WVNET), and the West Virginia Council for Community and Technical College Education, form the Higher Education Fund of the State. The Higher Education Fund is considered a component unit of the State, and its financial statements are discretely presented in the State's comprehensive annual financial report.

The accompanying financial statements present all funds under the authority of the University, including its blended component unit, the WLURC, a nonprofit, nonstock corporation. The basic criterion for inclusion in the accompanying financial statements is the exercise of oversight responsibility derived from the University's ability to significantly influence operations and accountability for fiscal matters of the WLURC.

A related organization of the University, the West Liberty University Foundation, Incorporated (the Foundation) is part of the University reporting entity and is included in the accompanying financial statements, as a discretely presented component unit, as the University has no ability to designate management, cannot significantly influence operations of this entity, and is not accountable for the fiscal matters of the Foundation under GASB. The Foundation is a private nonprofit organization that reports under FASB standards. As such, certain revenue recognition criteria and presentation features are different from the GASB revenue recognition criteria and presentation features. No modifications have been made to the Foundation's audited financial information as it is presented herein (see also Note 18).

Financial Statement Presentation

GASB establishes standards for external financial reporting for public colleges and universities and requires that financial statements be presented on a basis to focus on the University as a whole. Net position is classified into four categories according to external donor restrictions or availability of assets for satisfaction of University obligations. The University's net position is classified as follows:

Net Investment in Capital Assets – This represents the University's total investment in capital assets, net of depreciation and outstanding debt obligations related to those capital assets. To the extent that debt has been incurred but not yet expended for capital assets, such amounts are not included as a component of net investment in capital assets, net of related debt.

Restricted Net Position – Expendable – This includes resources in which the University is legally or contractually obligated to spend resources in accordance with restrictions imposed by external third parties.

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial Statement Presentation (Continued)

The West Virginia State Legislature (the State Legislature), as a regulatory body outside the reporting entity, has restricted the use of certain funds, by Article 10, *Fees and Other Money Collected at State Institutions of Higher Education* of the West Virginia State Code. House Bill 101 passed in March 2004 simplified the tuition and fee restrictions to auxiliaries and capital items. These activities are fundamental to the normal ongoing operations of the institution. These restrictions are subject to change by future actions of the State Legislature.

Restricted Net Position – Nonexpendable – This includes endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained inviolate and in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal. The University does not have any restricted nonexpendable net position as of June 30, 2016 and 2015.

Unrestricted Net Position – This represents resources derived from student tuition and fees, state appropriations, and sales and services of educational activities. These resources are used for transactions relating to the educational and general operations of the University, and may be used at the discretion of the Board to meet current expenses for any purpose.

Basis of Accounting

For financial reporting purposes, the University is considered a special-purpose government engaged only in business-type activities. Accordingly, the University's financial statements have been prepared on the accrual basis of accounting with a flow of economic resources measurement focus. Revenues are reported when earned and expensed when materials or services are received. All intercompany accounts and transactions between the University and the WLURC have been eliminated.

Cash and Cash Equivalents

For purposes of the statements of net position, the University considers all highly liquid investments with an original maturity of three months or less, at the time of acquisition, to be cash and cash equivalents.

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (Continued)

Cash and cash equivalents balances on deposit with the State of West Virginia Treasurer's Office (the State Treasurer) are pooled by the State Treasurer with other available funds of the State for investment purposes by the West Virginia Board of Treasury Investments (BTI). These funds are transferred to the BTI, and the BTI is directed by the State Treasurer to invest the funds in specific external investment pools in accordance with West Virginia Code, policies set by the BTI, provisions of bond indentures, and the trust agreements, when applicable. Balances in the investment pools are recorded at fair value or amortized cost, which approximates fair value. Fair value is determined by a third-party pricing service based on asset portfolio pricing models and other sources in accordance with GASB. The BTI was established by the State Legislature and is subject to oversight by the State Legislature. Fair value and investment income are allocated to participants in the pools based upon the funds that have been invested. The amounts on deposit are available for immediate withdrawal or on the first day of each month for the WV Short-Term Bond Pool and, accordingly, are presented as cash and cash equivalents in the accompanying financial statements.

The BTI maintains the Consolidated Fund investment fund, which consists of eight investment pools and participant-directed accounts, three of which the Commission may invest in. These pools have been structured as multi-participant variable net position funds to reduce risk and offer investment liquidity diversification to the Fund participants. Funds not required to meet immediate disbursement needs are invested for longer periods. A more detailed discussion of the BTI's investment operations pool can be found in its annual audited financial report. A copy of that annual report can be obtained from the following address: 1900 Kanawha Boulevard East, Room E-122, Charleston, WV 25305 or <http://www.wvbt.com>.

Allowance for Doubtful Accounts

It is the University's policy to provide for future losses on uncollectible accounts, contracts, grants, and loans receivable based on an evaluation of the underlying account, contract, grant, and loan balances, the historical collectability experienced by the University on such balances, and such other factors which, in the University's judgment, require consideration in estimating doubtful accounts.

Inventories

Inventories are stated at the lower of cost or market, cost being determined on the first-in, first-out method.

Noncurrent Cash, Cash Equivalents, and Investments

Cash, cash equivalents, and investments that are (1) externally restricted to make debt service payments, long-term loans to students, or to maintain sinking or reserve funds or (2) to purchase capital or other noncurrent assets, are classified as noncurrent assets in the accompanying statements of net position. Some of these funds may be held by trustees in accordance with the University's debt related trust indentures.

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets

Capital assets include property, plant and equipment, books and materials that are part of a catalogued library, and infrastructure assets. Capital assets are stated at cost at the date of acquisition or construction, or fair value at the date of donation in the case of gifts. Interest on related borrowing, net of interest earnings on invested proceeds, capitalized during the period of construction was \$0 and \$99,191 for the years ended June 30, 2016 and 2015, respectively. Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 20 to 50 years for buildings and infrastructure, 20 years for land improvements, 7 years for library books, and 3 to 12 years for furniture and equipment. The University capitalizes all purchases of library books and uses a capitalization threshold of \$5,000 for other capital assets.

Unearned Revenues

Revenues for programs or activities to be conducted primarily in the next fiscal year are classified as unearned revenues, including items such as tuition, football ticket sales, orientation fees, room, and board. Financial aid and other deposits are separately classified as deposits.

Compensated Absences and Other Postemployment Benefits (OPEBs)

GASB provides standards for the measurement, recognition, and display of OPEB expenditures, assets, and liabilities, including applicable note disclosures and required supplementary information. During fiscal year 2006, House Bill No. 4654 was established to create a trust fund for postemployment benefits for the State. Effective July 1, 2007, the University was required to participate in this multiple employer cost-sharing plan, the West Virginia Retiree Health Benefit Trust Fund, sponsored by the State. Details regarding this plan and its stand-alone financial statements can be obtained by contacting West Virginia Public Employees Insurance Agency (PEIA), State Capitol Complex, Building 5, Room 1001, 1900 Kanawha Boulevard East, Charleston, West Virginia 25305-0710 or <http://www.wvpeia.com>.

GASB requires entities to accrue for employees' rights to receive compensation for vacation leave or payments in lieu of accrued vacation or sick leave as such benefits are earned and payment becomes probable. The University's full-time employees earn up to two vacation leave days for each month of service and are entitled to compensation for accumulated, unpaid vacation leave upon termination. Full-time employees also earn 1-1/2 sick-leave days for each month of service and are entitled to extend their health or life insurance coverage upon retirement in lieu of accumulated, unpaid sick leave. Generally, two days of accrued sick leave extend health insurance for one month of single coverage and three days extend health insurance for one month of family coverage. For employees hired after 1988 or who were hired before 1988 but did not choose such coverage until after 1988 but before July 1, 2001, the employee shares in the cost of the extended benefit coverage to the extent of 50% of the premium required for the extended coverage. Employees hired July 1, 2001, or later will no longer receive sick-leave credit toward insurance premiums when they retire. Additionally, all retirees have the option to purchase continued coverage regardless of their eligibility for premium credits. This liability is now provided for under the multiple-employer cost-sharing plan sponsored by the State.

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compensated Absences and Other Postemployment Benefits (OPEBs) (Continued)

Certain faculty employees (generally those with less than a 12-month contract) earn a similar extended health or life insurance coverage retirement benefit based on years of service. Generally 3-1/3 years of teaching service extend health insurance for one year of single coverage and five years extend health insurance for one year of family coverage. Faculty hired after July 1, 2009, will no longer receive years of service credit toward insurance premiums when they retire. Employees hired after July 1, 2010 receive no health insurance premium subsidy from the University. Two groups of employees hired after July 1, 2010 will not be required to pay the unsubsidized rate: 1) active employees who were originally hired before July 1, 2010, who have a break in service of fewer than two years after July 1, 2010; and 2) retired employees who retired before July 1, 2010, return to active service after July 1, 2010, and then go back into retirement. In those cases, the original hire date will apply.

The estimated expense and expense incurred for the vacation leave or OPEB benefits are recorded as a component of benefits expense on the statements of revenues, expenses, and changes in net position.

Net Pension Liability

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the West Virginia Teachers' Retirement System (TRS), administered by the West Virginia Consolidated Public Retirement Board (CPRB), and additions to/reductions from the TRS fiduciary net position have been determined on the same basis as they are reported on the TRS financial statements, which can be found at <https://www/wvretirement.com/Publications.html#CAFR>. The plan schedules of TRS are prepared using the accrual basis of accounting and economic resources measurement focus in accordance with U.S. GAAP as prescribed by GASB. Employer contributions are recognized when due and the employer has a legal requirement to provide the contributions.

Investments are reported at fair value. Detailed information on investment valuation can be found in the TRS financial statements. Management of TRS has made certain estimates and assumptions relating to employer allocation schedules, and actual results could differ (Note 12).

Deferred Outflows of Resources

Consumption of net position by the University that is applicable to a future fiscal year is reported as a deferred outflow of resources on the statement of net position. A deferred outflow on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This deferred outflow is accreted over the shorter of the life of the refunded bond or the refinancing bond issue. As of June 30, 2016 and 2015, the University's net deferred loss on refunding of debt was \$80,353 and \$87,755, respectively. As of June 30, 2016 and 2015, the University also had deferred outflows related to pension of \$123,993 and \$85,928, respectively (Note 12).

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources

An acquisition of net position by the University that is applicable to a future fiscal year is reported as a deferred inflow of resources on the statement of net position. As of June 30, 2016 and 2015, the University had deferred inflows from service concession arrangements of \$67,514 and \$79,468, respectively, (Note 15) and deferred inflows related to pension of \$132,383 and \$172,028 as of June 30, 2016 and 2015, respectively (Note 12).

Risk Management

The State's Board of Risk and Insurance Management (BRIM) provides general, property and casualty, and liability coverage to the University and its employees. Such coverage is provided to the University by BRIM through self-insurance programs maintained by BRIM or policies underwritten by BRIM that may involve experience-related premiums or adjustments to BRIM.

BRIM engages an independent actuary to assist in the determination of its premiums so as to minimize the likelihood of premium adjustments to the University or other participants in BRIM's insurance programs. As a result, management does not expect significant differences between the premiums the University is currently charged by BRIM and the ultimate cost of that insurance based on the University's actual loss experience. In the event such differences arise between estimated premiums currently charged by BRIM to the University and the University's ultimate actual loss experience, the difference will be recorded as the change in estimate becomes known.

In addition, through its participation in the PEIA and third-party insurers, the University has obtained health, life, prescription drug coverage, and coverage for job-related injuries for its employees. In exchange for payment of premiums to PEIA and the third-party insurers, the University has transferred its risks related to health, life, prescription drug coverage, and job-related injuries.

Settled claims have not exceeded these coverage's for the past three years.

Classification of Revenues

The University has classified its revenues according to the following criteria:

Operating Revenues – Operating revenues include activities that have the characteristics of exchange transactions, such as (1) student tuition and fees, net of scholarship discounts and allowances; (2) sales and services of auxiliary enterprises, net of scholarship discounts and allowances; (3) most federal, state, local, and nongovernmental grants and contracts; and (4) sales and services of educational activities.

Nonoperating Revenues – Nonoperating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenues that are defined as nonoperating revenues by GASB, such as state appropriations, Federal Pell Grants, investment income, and the sale of capital assets (including natural resources).

Other Revenues – Other revenues consist primarily of grants and gifts for capital purchases.

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Restricted Net Position

The University has not adopted a formal policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available. Generally, the University attempts to utilize restricted net position first when practicable. The University did not have any designated net position funds as of June 30, 2016 and 2015.

Federal Financial Assistance Programs

The University makes loans to students under the Federal Direct Student Loan Program. Under this program, the U.S. Department of Education makes interest subsidized and nonsubsidized loans directly to students, through entities like the University. Direct student loan receivables are not included in the University's statements of net position, as the loans are repayable directly to the U.S. Department of Education. In 2016 and 2015, the University received and disbursed \$14,464,335 and \$15,059,527, respectively, under the Federal Direct Student Loan Program on behalf of the U.S. Department of Education, which is not included as revenue and expense on the statements of revenues, expenses, and changes in net position.

The University also distributes other student financial assistance funds on behalf of the federal government to students under the Federal Pell Grant, Supplemental Education Opportunity Grant, Academic Competitive Grant, Science Math Access to Retain Talent Grant, Federal Teacher Education Assistance for College and Higher Education Grant, and College Work Study programs. The activity of these programs is recorded in the accompanying financial statements. In 2016 and 2015, the University received and disbursed approximately \$3,989,000 and \$4,590,000, respectively, under these federal student aid programs.

Scholarship Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship allowances in the accompanying statements of revenues, expenses, and changes in net position. Scholarship allowances are the difference between the stated charge for goods and services provided by the University, and the amount that is paid by students and/or third parties making payments on the student's behalf.

Financial aid to students is reported in the financial statements under the alternative method as prescribed by the National Association of College and University Business Officers. Certain aid such as loans, funds provided to students as awarded by third parties, and Federal Direct Lending is accounted for as a third-party payment (credited to the student's account as if the student made the payment). All other aid is reflected in the financial statements as operating expenses, or scholarship allowances, which reduce revenues. The amount reported as operating expense represents the portion of aid that was provided to the student in the form of cash. Scholarship allowances represent the portion of aid provided to the student in the form of reduced tuition. Under the alternative method, these amounts are computed on a University basis by allocating the cash payments to students, excluding payments for services, on the ratio of total aid to the aid not considered to be third-party aid.

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government Grants and Contracts

Government grants and contracts normally provide for the recovery of direct and indirect costs, subject to audit. The University recognizes revenue associated with direct costs as the related costs are incurred. Recovery of related indirect costs is generally recorded at fixed rates negotiated for a period of one to five years.

Service Concession Arrangements

The University has service concession arrangements for the operation of the University bookstore and food services. Significant renovations made to University facilities by service concession vendors are capitalized and revenues are deferred and accreted over the life of the contract.

Income Taxes

The University is exempt from income taxes, except for unrelated business income, as a nonprofit organization under federal income tax laws and regulations of the Internal Revenue Service.

Cash Flows

Any cash and cash equivalents escrowed, restricted for noncurrent assets, or in funded reserves have not been included as cash and cash equivalents for cash flow statement purposes.

Use of Estimates

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Risks and Uncertainties

Investments, including restricted cash and cash equivalents held in external pools, are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain securities, it is reasonably possible that changes in risk and values will occur in the near term and that such changes could materially affect the amounts reported in the financial statements.

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Newly Adopted Statements Issued by the Governmental Accounting Standards Board (GASB)

The University has implemented GASB Statement No. 72, *Fair Value Measurement and Application*, effective for fiscal years beginning after June 15, 2015. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. In accordance with the implementation of this standard, the University has classified its investments as Level 1, 2, or 3 to indicate the valuation inputs used to measure the fair value.

The University has implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The requirements of this statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2016, and the requirements of this statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. This statement establishes standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions that are provided to the employees of state and local governmental employers and are not within the scope of Statement 68. This statement also establishes requirements for pensions that are provided through pension plans that are administered through trusts or equivalent arrangements that meet certain criteria. This statement also establishes requirements for governments that hold assets accumulated for purposes of providing pensions through defined benefit pension plans that are not administered through trusts that meet certain criteria and amends certain provisions for pension plans that are within the scope of Statement 67 and for pensions that are within the scope of Statement 68. The adoption of this statement did not have a material impact on the financial statements.

The University has implemented GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, which is effective for fiscal years beginning after June 15, 2015. This statement establishes the hierarchy of GAAP for state and local governments. The adoption of this statement did not have a material impact on the financial statements.

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Newly Adopted Statements Issued by the Governmental Accounting Standards Board (GASB) (Continued)

The University has implemented GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, which is effective for fiscal years beginning after December 15, 2015. This statement establishes accounting and financial reporting standards for defined benefit pensions provided to the employees of state or local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that meets certain criteria in GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and that is not a state or local governmental pension plan; is used to provide defined benefit pensions both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers; and has no predominant state or local governmental employer (either individually or collectively with other state or local governmental employers that provide pensions through the pension plan). The adoption of this statement did not have a material impact on the financial statements.

The University has implemented GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. This statement establishes accounting and financial reporting standards for qualifying external investment pools that elect to measure for financial reporting purposes all of their investments at amortized cost. This statement also establishes accounting and financial reporting standards for state and local governments that participate in a qualifying external investment pool that measures for financial reporting purposes all of its investments at amortized cost. The requirements of this statement are effective for fiscal years beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. The adoption of this statement did not have a material impact on the financial statements.

The University has implemented GASB Statement No. 82, *Pension Issues*, which is effective for fiscal years beginning after June 15, 2016, except for the requirements of this statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. This statement establishes accounting and financial reporting requirements for pensions provided to employees of state or local governmental employers. This statement also establishes financial reporting requirements for pension plans administered through trusts that meet the criteria in Statement No. 67. The adoption of this statement did not have a material impact on the financial statements.

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Statements Issued by the Governmental Accounting Standards Board

The GASB has also issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, which is effective for fiscal years beginning after June 15, 2017. This statement establishes standards of accounting and financial reporting for defined benefit other postemployment benefits and defined contribution other postemployment benefits that are provided to the employees of state and local governmental employers through other postemployment benefit plans that are administered through trusts or equivalent arrangements that meet certain criteria. This statement also establishes standards of accounting and financial reporting for defined benefit other postemployment benefits and defined contribution other postemployment benefits that are provided to the employees of state and local governmental employers through other postemployment benefit plans that are not administered through trusts that meet certain criteria. The University has not yet determined the effect that the adoption of GASB Statement No. 75 may have on its financial statements.

The GASB has also issued Statement No. 77, Tax Abatement Disclosures, which is effective for fiscal years beginning after December 15, 2015. This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments. The University has not yet determined the effect that the adoption of GASB Statement No. 77 may have on its financial statements.

In June 2016, GASB issued Statement No. 80, Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14. Statement No. 80 requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government (university) is the sole corporate member. The University has not yet determined the effect that the adoption of GASB Statement No. 80 may have on its financial statements.

In March 2016, GASB issued Statement No. 81, Irrevocable Split-Interest Agreements. Statement No. 81 provides recognition and measurement guidance for gifts received from donors who have transferred the gifts to an intermediary to hold and administer for the government (university) and at least one other beneficiary. An example of a split-interest agreement is a charitable remainder trust. The provisions in Statement No. 81 are effective for reporting periods beginning after December 15, 2016. The University has not yet determined the effect that the adoption of GASB Statement No. 81 may have on its financial statements.

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Recent Statements Issued by the Governmental Accounting Standards Board

The GASB has issued Statement No. 83, *Certain Asset Retirement Obligation (ARO)*, which is effective for fiscal years beginning after June 15, 2018. This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This statement requires that recognition occur when the liability is both incurred and reasonable estimable. In addition, the measurement of an ARO is required to be based on the best estimate of the current value of outlays expected to be incurred. Deferred outflows of resources associated with an ARO are required to be measured at the amount of the corresponding liability upon initial measurement. The current value of a government's AROs are to be adjusted for the effects of general inflation or deflation at least annually and the government is required to evaluate all relevant factors at least annually to determine whether the effects of one or more of the factors are expected to significantly change the estimated asset retirement outlay. This statement also requires disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The University has not yet determined the effect that the adoption of GASB Statement No. 83 may have on its financial statements.

Reclassifications

Certain amounts in the prior period presented have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on the previously reported net position or changes therein.

NOTE 3 CASH AND CASH EQUIVALENTS

The composition of cash and cash equivalents held at June 30, 2016 and 2015 was as follows:

2016	Current	Noncurrent	Total
With State Treasurer	\$ 6,143,447	\$ -	\$ 6,143,447
With Trustee Bank	-	836,154	836,154
In Bank	553,724	-	553,724
On Hand	2,640	-	2,640
Total	<u>\$ 6,699,811</u>	<u>\$ 836,154</u>	<u>\$ 7,535,965</u>
2015	Current	Noncurrent	Total
With State Treasurer	\$ 6,379,290	\$ -	\$ 6,379,290
With Trustee Bank	-	952,275	952,275
In Bank	938,770	-	938,770
On Hand	2,640	-	2,640
Total	<u>\$ 7,320,700</u>	<u>\$ 952,275</u>	<u>\$ 8,272,975</u>

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Cash and cash equivalents with trustee bank include deposits held by the Bond Trustee for the bonds issued in March 2013 and May 2012. The University uses WesBanco Bank (the Trustee Bank) as its trustee bank for the bond proceeds. The total amount held by the Trustee Bank on June 30, 2016 and 2015 is \$836,154 and \$952,275, respectively, and was invested in Federated U.S. Treasury Cash Reserves. These funds are rated AAAm by Standard & Poor's and Aaa by Moody's. These funds have neither significant custodial credit risk nor interest rate risk. These funds are neither exposed to a concentration of credit risk nor any foreign currency risk.

The carrying amount of cash in the bank at June 30, 2016 and 2015 was \$553,724 and \$938,770, respectively, as compared with the bank balance of \$660,736 and \$1,035,841, respectively. The difference in these balances was primarily caused by outstanding checks and items in transit. The bank balances were covered by federal depository insurance as noted below or were collateralized by securities held by State's agent. Regarding federal depository insurance, accounts are 100% insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. Cash and cash equivalents in the bank included \$24,545 and \$29,499 of restricted cash for grants as of June 30, 2016 and 2015, respectively.

Amounts with the State Treasurer as of June 30, 2016 and 2015 are comprised of three investment pools, the WV Money Market Pool, the WV Government Money Market Pool, and the WV Short Term Bond Pool.

Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following table provides information on the Standard & Poor's rating of the investment pools as of June 30:

External Pool	2016		2015	
	Carrying Value (in Thousands)	S & P Rating	Carrying Value (in Thousands)	S & P Rating
WV Money Market Pool	\$ 6,001,913	AAAm	\$ 6,321,925	AAAm
WV Government Money Market Pool	-	AAAm	55,950	AAAm
WV Short Term Bond Pool	141,534	Not Rated	1,415	Not Rated
	<u>\$ 6,143,447</u>		<u>\$ 6,379,290</u>	

A Fund rated AAAm has extremely strong capacity to maintain principal stability and to limit exposure to principal losses due to credit, market, and/or liquidity risks. AAAm is the highest principal stability fund rating assigned by Standard & Poor's.

Interest Rate Risk — Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. All the amounts with the State Treasurer are subject to interest rate risk. The following table provides information on the weighted-average maturities for the WV Money Market Pool and the WV Government Money Market Pool:

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

External Pool	2016		2015	
	Carrying Value (in Thousands)	WAM (Days)	Carrying Value (in Thousands)	WAM (Days)
WV Money Market Pool	\$ 6,001,913	49	\$ 6,321,925	47
WV Government Money Market Pool	\$ -	50	\$ 55,950	51

The following table provides information on the effective duration for the WV Short Term Bond Pool:

External Pool	2016		2015	
	Carrying Value (in Thousands)	Effective Duration (Days)	Carrying Value (in Thousands)	Effective Duration (Days)
WV Short Term Bond Pool	\$ 141,534	462	\$ 1,415	410

Other Investment Risks — Other investment risks include concentration of credit risk, custodial credit risk, and foreign currency risk. None of BTI's Consolidated Fund's investment pools or accounts are exposed to these risks as described below.

Cash and Cash Equivalents in Bank with Trustee

Credit Risk — Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. Cash in bank with Trustee is governed by provisions of the bond agreement.

Investment Type	Carrying Value	
	2016	2015
Federated U.S. Treasury Cash Reserves	\$ 836,154	\$ 952,275

The objective of the money market fund is to increase the current level of income while continuing to maintain liquidity and capital. Assets are invested in high-quality, short-term money market instruments.

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the University will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The University does not have a formal custodial credit risk policy.

**WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 3 CASH AND CASH EQUIVALENTS (CONTINUED)

Interest Rate Risk and Concentration of Credit Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University's investment policy limits investment maturities from potential fair value losses due to increasing interest rates. No more than 5% of the money market fund's total market value may be invested in the obligations of a single issuer, with the exception of the U.S. government and its agencies. The University does not have formal interest rate or concentration of credit risk policies.

NOTE 4 ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2016 and 2015 were as follows:

	<u>2016</u>	<u>2015</u>
Student Tuition and Fees - Net of Allowance for Doubtful Accounts of \$768,025 in 2016 and \$603,693 in 2015	\$ 703,295	\$ 810,479
Due from West Virginia Agencies	28,848	40,347
Interest Receivable on State Cash Accounts	2,555	531
Due from Component Unit - West Liberty Foundation	35,419	59,440
Grants and Contracts Receivable	<u>316,914</u>	<u>163,931</u>
Total	<u>\$ 1,087,031</u>	<u>\$ 1,074,728</u>

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 5 CAPITAL ASSETS

Capital asset transactions for the years ended June 30, 2016 and 2015 were as follows:

	2016			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital Assets not being Depreciated:				
Land	\$ 182,777	\$ -	\$ -	\$ 182,777
Construction in Progress	10,262	379,284	355,340	34,206
Total Capital Assets not being Depreciated	<u>\$ 193,039</u>	<u>\$ 379,284</u>	<u>\$ 355,340</u>	<u>\$ 216,983</u>
Other Capital Assets:				
Infrastructure	\$ 8,912,113	\$ 46,075	\$ -	\$ 8,958,188
Buildings	96,643,502	474,779	14,675	97,103,606
Leasehold Improvements	829,767	-	-	829,767
Equipment	8,991,568	177,840	9,720	9,159,688
Leased Equipment	127,912	-	-	127,912
Library Books	2,250,231	6,622	-	2,256,853
Total Other Capital Assets	<u>117,755,093</u>	<u>705,316</u>	<u>24,395</u>	<u>118,436,014</u>
Less: Accumulated Depreciation for:				
Infrastructure	3,233,655	447,718	-	3,681,373
Buildings	29,527,434	1,853,983	2,262	31,379,155
Leasehold Improvements	486,949	82,331	-	569,280
Equipment	5,769,979	511,586	9,720	6,271,845
Leased Equipment	127,912	-	-	127,912
Library Books	2,129,151	33,142	-	2,162,293
Total Accumulated Depreciation	<u>41,275,080</u>	<u>2,928,760</u>	<u>11,982</u>	<u>44,191,858</u>
Other Capital Assets - Net	<u>\$ 76,480,013</u>	<u>\$ (2,223,444)</u>	<u>\$ 12,413</u>	<u>\$ 74,244,156</u>
Capital Asset Summary:				
Capital Assets not being Depreciated	\$ 193,039	\$ 379,284	\$ 355,340	\$ 216,983
Other Capital Assets	117,755,093	705,317	24,396	118,436,014
Total Cost of Capital Assets	<u>117,948,132</u>	<u>1,084,601</u>	<u>379,736</u>	<u>118,652,997</u>
Less: Accumulated Depreciation	<u>41,275,080</u>	<u>2,928,760</u>	<u>11,982</u>	<u>44,191,858</u>
Capital Assets - Net	<u>\$ 76,673,052</u>	<u>\$ (1,844,159)</u>	<u>\$ 367,754</u>	<u>\$ 74,461,139</u>

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 5 CAPITAL ASSETS (CONTINUED)

	2015			Ending Balance
	Beginning Balance	Additions	Reductions	
Capital Assets not being Depreciated:				
Land	\$ 182,777	\$ -	\$ -	\$ 182,777
Construction in Progress	899,529	4,033,157	4,922,424	10,262
Total Capital Assets not being Depreciated	<u>\$ 1,082,306</u>	<u>\$ 4,033,157</u>	<u>\$ 4,922,424</u>	<u>\$ 193,039</u>
Other Capital Assets:				
Infrastructure	\$ 8,709,858	\$ 202,255	\$ -	\$ 8,912,113
Buildings	92,129,059	4,560,142	45,699	96,643,502
Leasehold Improvements	829,767	-	-	829,767
Equipment	8,585,114	664,733	258,279	8,991,568
Leased Equipment	127,912	-	-	127,912
Library Books	2,331,704	17,374	98,847	2,250,231
Total Other Capital Assets	<u>112,713,414</u>	<u>5,444,504</u>	<u>402,825</u>	<u>117,755,093</u>
Less: Accumulated Depreciation for:				
Infrastructure	2,792,545	441,110	-	3,233,655
Buildings	27,711,666	1,861,467	45,699	29,527,434
Leasehold Improvements	404,619	82,330	-	486,949
Equipment	5,491,073	530,225	251,319	5,769,979
Leased Equipment	127,913	-	1	127,912
Library Books	2,177,835	50,162	98,846	2,129,151
Total Accumulated Depreciation	<u>38,705,651</u>	<u>2,965,294</u>	<u>395,865</u>	<u>41,275,080</u>
Other Capital Assets - Net	<u>\$ 74,007,763</u>	<u>\$ 2,479,210</u>	<u>\$ 6,960</u>	<u>\$ 76,480,013</u>
Capital Asset Summary:				
Capital Assets not being Depreciated	\$ 1,082,306	\$ 4,033,157	\$ 4,922,424	\$ 193,039
Other Capital Assets	112,713,414	5,444,505	402,826	117,755,093
Total Cost of Capital Assets	<u>113,795,720</u>	<u>9,477,662</u>	<u>5,325,250</u>	<u>117,948,132</u>
Less: Accumulated Depreciation	<u>38,705,651</u>	<u>2,965,294</u>	<u>395,865</u>	<u>41,275,080</u>
Capital Assets - Net	<u>\$ 75,090,069</u>	<u>\$ 6,512,368</u>	<u>\$ 4,929,385</u>	<u>\$ 76,673,052</u>

The University maintains various collections of inexhaustible assets to which no value can be practically determined. Such collections include contributed works of art, historical treasures, and literature that are held for exhibition, education, research, and public service. These collections are neither disposed of for financial gain nor encumbered in any means. Accordingly, such collections are not capitalized or recognized for financial statement purposes.

The University had construction commitments of approximately \$178,000 as of June 30, 2016.

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 6 CHANGES IN LONG-TERM LIABILITIES

Long-term obligation transactions for the University for the years ended June 30, 2016 and 2015 were as follows:

	2016				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable:					
Revenue Bonds Payable	\$ 17,335,000	\$ -	\$ (1,195,000)	\$ 16,140,000	\$ 1,220,000
Other Long-Term Liabilities:					
Advances from Federal Sponsors	1,515,182	-	(219,010)	1,296,172	-
Compensated Absences	1,152,634	-	(290,803)	861,831	53,595
OPEB Liability	6,463,819	925,514	(520,647)	6,868,686	-
Net Pension Liability	637,277	18,245	-	655,522	-
Debt Obligation to Commission	2,143,463	-	(140,920)	2,002,543	148,336
Total Long-Term Liabilities	<u>\$ 29,247,375</u>	<u>\$ 943,759</u>	<u>\$ (2,366,380)</u>	<u>\$ 27,824,754</u>	
	2015				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds Payable:					
Revenue Bonds Payable	\$ 18,510,000	\$ -	\$ (1,175,000)	\$ 17,335,000	\$ 1,195,000
Other Long-Term Liabilities:					
Advances from Federal Sponsors	1,456,218	58,964	-	1,515,182	-
Compensated Absences	1,159,839	-	(7,205)	1,152,634	52,433
OPEB Liability	6,101,764	945,070	(583,015)	6,463,819	-
Net Pension Liability	-	637,277	-	637,277	-
Debt Obligation to Commission	2,278,820	-	(135,357)	2,143,463	140,920
Total Long-Term Liabilities	<u>\$ 29,506,641</u>	<u>\$ 1,641,311</u>	<u>\$ (1,900,577)</u>	<u>\$ 29,247,375</u>	

NOTE 7 BONDS PAYABLE

Bonds payable at June 30, 2016 and 2015 consisted of the following:

	Original Interest Rates	Annual Principal Installment Due	2016	2015
			Principal Amount Outstanding	Principal Amount Outstanding
Series 2012 Due 2027	2.000-3.250 %	585,000 - 785,000	\$ 8,100,000	\$ 8,695,000
Series 2013 Due 2028	1.300-2.680	580,000 - 765,000	8,040,000	8,640,000
Total			<u>\$ 16,140,000</u>	<u>\$ 17,335,000</u>

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 7 BONDS PAYABLE (CONTINUED)

The Board of Governors of the University issued bonds on May 1, 2012: the University Revenue Bonds, Series 2012 (the Series 2012 Bonds) for \$10,000,000. The proceeds of the Series 2012 Bonds will be used to finance certain capital improvements to the University. The University set up a separate 2012 Capital Fee to be used solely for the payment of the bonds. The University drew the required full principal amount by June 12, 2013. The bond proceeds will be expended from the trustee as funds are requested for payments on capital projects that were preapproved by the Board of Governors of the University. As of June 30, 2016, \$9,163,846 had been expended from the bond proceeds for costs of issuance and capital expenditures on the Series 2012 Bonds.

The Board of Governors of the University issued bonds on March 6, 2013: the University Revenue Refunding Bonds, Series 2013 (the Series 2013 Bonds) for \$9,810,000. The proceeds of the Series 2013 Bonds were issued to (1) currently refund in full the outstanding Series 2003A, 2003B, and 2003C Bonds and (2) pay the costs of issuance of the Series 2013 Bonds and related costs. The Auxiliary and Institutional Capital Fees originally set up for the Series 2003A, 2003B, and 2003C Bonds are to be used solely for the payment of the Series 2013 Bonds. This issuance of the Series 2013 Bonds resulted in a loss of \$103,105 (which is reflected as deferred outflows of resources on the statement of net position and being amortized over the shorter of the life of the refunded or refunding debt) and an economic gain of \$2,702,042.

The Bonds are special obligations of the State and are not general obligations or a debt of the State. Neither the credit nor the taxing power of the State is pledged for the payment of the Bonds. The above bond issues are fully insured as to principal and interest by the Federal Guaranty Insurance Company.

A summary of the annual aggregate principal and interest payments for years subsequent to June 30, 2016 is as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,220,000	\$ 404,080	\$ 1,624,080
2018	1,240,000	380,495	1,620,495
2019	1,265,000	356,525	1,621,525
2020	1,290,000	330,509	1,620,509
2021	1,320,000	301,091	1,621,091
2022-2026	7,130,000	956,412	8,086,412
2027-2028	2,675,000	90,818	2,765,818
Total	<u>\$ 16,140,000</u>	<u>\$ 2,819,930</u>	<u>\$ 18,959,930</u>

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 8 LEASE OBLIGATIONS

The University leases building and classroom/office space under an operating lease agreement. Aggregate payments under these agreements were \$207,156 and \$258,400 for the years ended June 30, 2016 and 2015, respectively.

The University does not have any noncancelable leases. Future minimum rental commitments as of June 30, 2016, should the leases not be cancelled, are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 207,156
2018	207,156
2019	207,156
2020	220,274
2021	221,466
2022-2026	1,148,586
2027-2031	1,230,039
2032-2035	777,163
Total	<u>\$ 4,218,996</u>

The University had no capital lease obligations as of June 30, 2016.

NOTE 9 OTHER POST EMPLOYMENT BENEFITS

In accordance with GASB, OPEB costs are accrued based upon invoices received from PEIA, based upon actuarial determined amounts. At June 30, 2016, 2015, and 2014, the noncurrent liability related to OPEB costs was \$6,868,686, \$6,463,819, and \$6,101,764, respectively. The total of OPEB expense incurred (equal to contributions required) and the amount of OPEB contributions made was \$925,514 and \$520,647, respectively, during 2016, or 56%. The total of OPEB expense incurred (equal to contributions required) and the amount of OPEB contributions made was \$945,070 and \$583,016, respectively, during 2015, or 62%. The total of OPEB expense incurred (equal to contributions required) and the amount of OPEB contributions made was \$738,136 and \$648,270, respectively, during 2014, or 88%. As of the years ended June 30, 2016, 2015, and 2014 there were 38, 41, and 47 retirees, respectively, receiving these benefits.

NOTE 10 UNRESTRICTED NET POSITION (DEFICIT)

The University did not have any designated unrestricted net position as of June 30, 2016 or 2015.

	<u>2016</u>	<u>2015</u>
Total Unrestricted Net Position		
Before OPEB Liability	\$ 3,740,633	\$ 3,572,972
Less: OPEB Liability	6,868,686	6,463,819
Total Unrestricted (Deficit) Net Position	<u>\$ (3,128,053)</u>	<u>\$ (2,890,847)</u>

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 11 STATE SYSTEM OF HIGHER EDUCATION INDEBTEDNESS

The University is a State institution of higher education and the University receives a State appropriation to finance its operations. In addition, it is subject to the legislative and administrative mandates of State government. Those mandates affect all aspects of the University's operations, its tuition and fee structure, its personnel policies, and its administrative practices.

The State has chartered the Commission with the responsibility to construct or renovate, finance, and maintain various academic and other facilities of the State's universities and colleges, including certain facilities of the University. Financing for these facilities was provided through revenue bonds issued by the former Board of Regents or the former Boards of the College and College Systems (the Boards). These obligations administered by the Commission are the direct and total responsibility of the Commission, as successor to the former Boards.

The Commission has the authority to assess each public institution of higher education for payment of debt service on these system bonds. The education and general capital fees (previously tuition and registration fees) of the members of the former State University System are generally pledged as collateral for the Commission's bond indebtedness. Student fees collected by the institution in excess of the debt service allocation are retained by the institution for internal funding of capital projects and maintenance. Although the bonds remain as capital obligation of the Commission, an estimate of the obligation of each institution is reported as a long-term payable by each institution and as a receivable by the Commission, effective as of June 30, 2002.

For the years ended June 30, 2016 and 2015 the debt service allocations assessed were as follows:

	2016	2015
Principal	\$ 140,920	\$ 135,357
Interest	93,777	99,191
Other	30,579	30,580
Total	<u>\$ 265,276</u>	<u>\$ 265,128</u>

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 12 DEFINED BENEFIT PENSION PLAN

Some employees of the University are enrolled in a defined benefit pension plan, the West Virginia Teachers' Retirement System (TRS), which is administered by the West Virginia Consolidated Public Retirement Board (CPRB).

Following is the University's pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, revenues, and the pension expense and expenditures for the fiscal year ended June 30, 2016 (dollars in thousands):

	2016	2015
Net Pension Liability	\$ 655,522	\$ 637,277
Deferred Outflows of Resources	\$ 123,993	\$ 85,928
Deferred Inflows of Resources	\$ 132,383	\$ 172,028
Revenues	\$ 112,931	\$ 85,068
Pension Expense	\$ 140,026	\$ 101,854
Contributions Made by WLU	\$ 75,199	\$ 85,828

TRS

Plan Description

TRS is a multiple employer defined benefit cost sharing public employee retirement system providing retirement benefits as well as death and disability benefits. It covers all full-time employees of the 55 county public school systems in the State of West Virginia (the State) and certain personnel of the 13 State-supported institutions of higher education, State Department of Education and the Higher Education Policy Commission hired prior to July 1, 1991. Employees of the State-supported institutions of higher education and the Higher Education Policy Commission hired after June 30, 1991, are required to participate in the Higher Education Retirement System. TRS closed membership to new hires effective July 1, 1991.

TRS is considered a component unit of the State of West Virginia for financial reporting purposes, and, as such, its financial report is also included in the State of West Virginia's Comprehensive Annual Financial Report. TRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the plan. A copy of the report may be obtained from the TRS website at <https://www.wvretirement.com/Publications.html#CAFR>.

Benefits Provided

TRS provides retirement, death, and disability benefits. A member is eligible for normal retirement at age 60 with five years of service, age 55 with 30 years of service or any age with 35 years of service. A member may retire with 30 years of credited service at any age with the pension reduced actuarially if the member retires before age 55. Terminated members with at least five, but less than 20, years of credited service who do not withdraw their accumulated contributions are entitled to a deferred retirement commencing at age 62. Retirement benefits are equivalent to 2% of average annual salary multiplied by years of service. Average salary is the average of the 5 highest fiscal years of earnings during the last 15 fiscal years of earnings. Chapter 18, Article 7A of the West Virginia State Code assigns the authority to establish and amend the provisions of the plan, including contribution rates, to the State Legislature.

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 12 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions

The funding objective of the CPRB pension trust funds is to meet long-term benefit requirements through contributions, which remain relatively level as a percent of member payroll over time, and through investment earnings. Contribution requirements are set by CPRB. A member who withdraws from service for any cause other than death or retirement may request that the accumulated employee contributions plus interest be refunded.

Member Contributions: TRS funding policy provides for member contributions based on 6% of members' gross salary. Contributions as a percentage of payroll for members and employers are established by State law and are not actuarially determined.

Employer Contributions: Employers make the following contributions:

The State (including institutions of higher education) contributes:

1. 15% of gross salary of their State-employed members hired prior to July 1, 1991;
2. 15% of School Aid Formula (SAF) covered payroll of county-employed members;
3. 7.5% of SAF-covered payroll of members of the TDCRS;
4. a certain percentage of fire insurance premiums paid by State residents; and
5. under WV State code section 18-9-A-6a, beginning in fiscal year 1996, an amount determined by the State Actuary as being needed to eliminate the TRS unfunded liability within 40 years of June 30, 1994.

As of June 30, 2015 and 2014, respectively, the University's proportionate share attributable to this special funding subsidy was \$106,136 and \$85,068 and is recorded as revenue.

The University's contributions to TRS for the years ended June 30, 2016, 2015, and 2014, were approximately \$75,199, \$85,928, and \$85,180, respectively.

Assumptions

The total pension liabilities for financial reporting purposes were determined by actuarial valuations as of July 1, 2014 and rolled forward to June 30, 2015. The following actuarial assumptions were used and applied to all periods included in the measurement:

- Actuarial cost method: Entry age normal cost with level percentage of payroll.
- Asset valuation method: Investments are reported at fair value.
- Amortization method and period for contributions: Level dollar, fixed period over 40 years, from July 1, 1994 through fiscal year 2034.
- Investment rate of return of 7.50%, net of pension plan administrative and investment expenses.
- Projected salary increases: Teachers 3.75–5.25% and non-teachers 3.40–6.50%, based on age.
- Inflation rate of 1.9%.
- Discount rate of 7.50%.
- Mortality rates based on RP-2000 Mortality Tables.

**WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 12 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Assumptions (Continued)

- Withdrawal rates: Teachers 1.2-30% and non-teachers 1.4-22.5%.
- Disability rates: 0-0.8%.
- Retirement age: An age-related assumption is used for participants not yet receiving payments.
- Retirement rates: 15-100%, based on age.
- Ad hoc cost-of-living increases in pensions are periodically granted by the State Legislature. However, the retirement system makes no automatic provision for such increases.

Experience studies are performed at least once in every five-year period. The most recent experience study covered the period from July 1, 2005 to June 30, 2010. These assumptions will remain in effect for valuation purposes until such time as the CPRB adopts revised assumptions.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of the long-term arithmetic real rates of return for each major asset class included in TRS' target asset allocation as of June 30, 2015, are summarized below.

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>
Domestic Equity	7.0%	27.5%
International Equity	7.7%	27.5%
Core Fixed Income	2.7%	7.5%
High-Yield Fixed Income	5.5%	7.5%
Real Estate	5.6%	10.0%
Private Equity	9.4%	10.0%
Hedge Funds	4.7%	10.0%
Cash	1.5%	0.0%

Discount rate. The discount rate used to measure the total TRS pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that State contributions will continue to follow the current funding policy. Based on those assumptions, TRS' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on TRS' investments was applied to all periods of projected benefit payments to determine the total pension liability. In the event of benefit payments that are not covered by the pension plan's fiduciary net position, a municipal bond rate of 3.73% is to be used to discount the benefit payments not covered by the plan's fiduciary net position. The rate equals the S&P Municipal Bond 20 Year High Grade Rate Index at June 30, 2015.

**WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 12 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Assumptions (Continued)

Sensitivity of the net pension liability to changes in the discount rate. The following presents the University's proportionate share of the TRS net pension liability as of June 30, 2016 and 2015 calculated using the discount rate of 7.50%, as well as what the University's TRS net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50%) or one percentage point higher (8.50%) than the current rate (dollars in thousands).

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Net Pension Liability 2016	\$ 849,830	\$ 655,522	\$ 488,678
Net Pension Liability 2015	\$ 826,474	\$ 637,277	\$ 474,847

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the University's proportionate share of the TRS net pension liability was \$2,151,222. Of this amount, the University recognized \$655,522 as its proportionate share on the Statement of Net Position. The remainder of \$1,495,700 denotes the University's proportionate share of net pension liability attributable to the special funding provided by the state.

The allocation percentage assigned to each participating employer and non-employer contributing entity is based on their proportionate share of employer and non-employer contributions to TRS for each of the fiscal years ended June 30, 2015 and 2014. Employer contributions are recognized when due. At June 30, 2015, the University's proportion was 0.018917 %, an increase of .000446% from its proportion of 0.018471%, calculated as of June 30, 2014.

For the years ended June 30, 2016 and 2015, the University recognized TRS pension expense of \$140,026 and 101,832, respectively. Of this amount, \$27,095 and \$16,764, respectively was recognized as the University's proportionate share of the TRS expense, \$106,136 and \$85,068, respectively, as the amount of pension expense attributable to special funding from a non-employer contributing entity and \$6,795 and \$0, respectively, as the amount of pension expense from a non-employer contributing entity not attributable to a special funding situation. The University also recognized revenue of \$112,931 and \$85,068, respectively, for support provided by the State.

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 12 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

At June 30, 2016, deferred outflows of resources and deferred inflows of resources related to the TRS pension are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	\$ 48,794	\$ 99,040
Net Difference Between Projected and Actual Investment Earnings	-	27,667
Difference Between Projected and Actual Experience	-	5,676
Contributions After Measurement Date	75,199	-
Total	<u>\$ 123,993</u>	<u>\$ 132,383</u>

At June 30, 2015, deferred outflows of resources and deferred inflows of resources related to the TRS pension are as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Change in Proportion and Difference Between Employer Contributions and Proportionate Share of Contributions	\$ -	\$ 87,792
Net Difference Between Projected and Actual Investment Earnings	-	84,236
Contributions After Measurement Date	85,928	-
Total	<u>\$ 85,928</u>	<u>\$ 172,028</u>

**WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 12 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

The University will recognize the \$75,199 reported as deferred outflows of resources resulting from pension contributions after the measurement date as a reduction of the TRS net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in TRS pension expense as follows:

Fiscal Year Ended	Amortization
June 30, 2017	\$ 28,507
June 30, 2018	28,507
June 30, 2019	30,031
June 30, 2020	5,168
June 30, 2021	(8,624)
Total	\$ 83,589

Payables to the pension plan

The University did not report any amounts payable for normal contributions to the TRS as of June 30, 2016 and 2015.

NOTE 13 RETIREMENT PLANS

Substantially all full-time employees of the University participate in either the West Virginia Teachers' Retirement System (the TRS) or the Teachers' Insurance and Annuities Association – College Retirement Equities Fund (the TIAA-CREF). (See Note 12 for information regarding TRS).

Effective January 1, 2003, higher education employees enrolled in the basic 401(a) retirement plan with TIAA-CREF have an option to switch to the new Educators Money 401(a) basic retirement plan (Educators Money). New hires have the choice of either plan.

The TIAA-CREF and Educators Money are defined-contribution benefit plans in which benefits are based solely upon amounts contributed, plus investment earnings. Employees who elect to participate in these plans are required to make a contribution equal to 6% of total annual compensation. The University matches the employees' 6% contribution. Contributions are immediately and fully vested. In addition, employees may elect to make additional contributions to TIAA-CREF and Educators Money, which are not matched by the University.

Total contributions to the TIAA—CREF for the years ended June 30, 2016, 2015, and 2014 were \$1,774,389, \$2,073,698, and \$1,944,012, respectively, which consisted of equal contributions from the University and covered employees of \$887,194 in 2016, \$1,036,849 in 2015, and \$972,006 in 2014.

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 13 RETIREMENT PLANS (CONTINUED)

Total contributions to the Educators Money for the years ended June 30, 2016, 2015, and 2014 were \$43,674, \$51,100, and \$32,762, respectively, which consisted of equal contributions from the University and covered employees of \$21,837 in 2016, \$25,550 in 2015, and \$16,381 in 2014.

The University's total payroll for the years ended June 30, 2016, 2015, and 2014 was \$16,994,324, \$18,234,730, and \$19,030,783, respectively, and total covered employees' salaries in the TIAA-CREF, and Educators Money were \$14,786,574 and \$364,953, respectively, in 2016; \$17,280,814 and \$411,475, respectively, in 2015; and \$16,200,097 and \$277,711, respectively, in 2014.

NOTE 14 CONTINGENCIES

The nature of the education industry is such that, from time-to-time, claims will be presented against the University on account of alleged negligence, acts of discrimination, breach of contract, or disagreements arising from the interpretation of laws or regulations. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing education services in a higher education system. In the opinion of management, all known claims are covered by insurance or are such that an award against the University would not seriously impact the financial status of the University.

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The University's management believes disallowances, if any, will not have a significant financial impact on the University's financial position.

The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates. There were no arbitrage rebate liabilities that were recorded in the financial statements as of June 30, 2016 and 2015.

The University owns various buildings that are known to contain asbestos. The University is not required by federal, state, or local law to remove the asbestos from its buildings. The University is required by Federal Environmental, Health, and Safety Regulations to manage the presence of asbestos in its buildings in a safe condition. The University addresses its responsibility to manage the presence of asbestos in its buildings on a case-by-case basis. Significant problems of dangerous asbestos conditions are abated as the condition becomes known. The University also addresses the presence of asbestos as building renovation or demolition projects are undertaken and through asbestos operation and maintenance programs directed at containing, managing, or operating with the asbestos in a safe condition.

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 15 SERVICE CONCESSION AGREEMENTS

The University has adopted GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. The University has identified two contracts for services that meet the four criteria of a service concession arrangement. SCAs are defined as a contract between a government and an operator, another government or a private entity, in which the operator provides services, the operator collects and is compensated by fees from third parties, the government still has control over the services provided and the government retains ownership of the assets at the end of the contract. The contracts are with Sodexo America, LLC and Barnes & Noble Booksellers, Inc.

The University has a contract with Sodexo America, LLC (Sodexo) to provide food services within University facilities. The contract was effective on July 1, 2011 for a period of five (5) years with five (5) additional one-year extension options. Sodexo provides meal plans to students through the University as well as offering cash sales to the University community. The University receives annual commission payments from Sodexo calculated as a contractually agreed percentage of cash sales and the University pays Sodexo for the meal plans from fees collected by the University from students. In 2016 and 2015 the University received \$59,567 and \$62,706, respectively, in commissions from Sodexo. In 2016 and 2015, \$0 and \$13,063, respectively, in renovations had been classified as a capital asset with an offsetting deferred inflow of resources. Over the life of the contract, the University will amortize the deferred inflow of resources, while recognizing auxiliary revenue each year. If the agreement expires, terminates, or is amended in a way that has an adverse impact on Sodexo, the University will be liable for the unamortized portion of Sodexo's investment.

The University contracts with Barnes & Noble Booksellers, Inc. (Barnes & Noble) to operate a bookstore located within University facilities. These services provide the University community with a professional bookstore. The contract was effective on August 1, 2002 for a period of ten (10) years. The contract was subsequently extended on August 1, 2012 for five (5) years through 2017, with five (5) additional one-year extension options. The University receives annual commission payments calculated as a contractually agreed percentage of bookstore revenue. In 2016 and 2015, the University received \$110,684 and \$92,107, respectively, in commissions from Barnes & Noble. In addition to the commission, Barnes & Noble paid a one-time signing bonus of \$40,000 in 2013. Barnes & Noble also provide \$10,000 annually to the West Liberty University Foundation, Inc.'s Scholarship fund and Gala sponsorship. In 2013, \$52,188 in bookstore renovations has been classified as a capital asset with an offsetting deferred inflow of resources. Over the life of the contract, the University will amortize the deferred inflow of resources, while recognizing auxiliary revenue each year. If the agreement expires, terminates, or is amended in a way that has an adverse impact on Barnes & Noble, the University will be liable for the unamortized portion of Barnes & Noble's investment. No significant renovations to University facilities were made by Barnes & Noble in 2016 and 2015.

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 16 SEGMENT INFORMATION

Under the auspices of the State and the Board of Governors, the University issued revenue bonds to finance certain of its auxiliary enterprise activities and capital improvements. Investors in those bonds rely solely on the revenue generated from new capital fees created for repayment.

Descriptive information for each of the University's segments is shown below:

- a. *The Board of Governors of the University issued University Revenue Refunding Bonds, Series 2013.*

On March 6, 2013, the University issued University Revenue Refunding Bonds, Series 2013, amounting to \$9,810,000. The Series 2013 Bonds were issued to (1) currently refund in full the outstanding Series 2003A, 2003B, and 2003C Bonds and (2) pay the costs of issuance of the Series 2013 Bonds and related costs.

The Series 2013 Bonds outstanding consist of \$9,120,000 Term Bonds as follows:

<u>Principal Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
\$ 3,520,000	May 1, 2020	1.85%
\$ 3,520,000	May 1, 2025	2.48%
\$ 2,080,000	May 1, 2028	2.68%

- b. *The Board of Governors of the University issued University Revenue Bonds, Series 2012.*

On May 1, 2012, the University issued University Revenue Bonds, Series 2012, amounting to \$10,000,000. The Series 2012 Bonds were issued to finance capital improvements.

The Series 2012 Bonds outstanding consist of \$10,000,000 Term Bonds as follows:

<u>Principal Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
\$ 4,000,000	November 1, 2019	2.00%
\$ 3,000,000	November 1, 2023	2.75%
\$ 3,000,000	November 1, 2027	3.25%

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 16 SEGMENT INFORMATION (CONTINUED)

	2016		2015	
	WLU Revenue Refunding Bond 2013 as of Year Ended June 30, 2016	WLU Revenue Bond Issue 2012 as of Year Ended June 30, 2016	WLU Revenue Refunding Bond 2013 as of Year Ended June 30, 2015	WLU Revenue Bond Issue 2012 as of Year Ended June 30, 2015
Condensed Statements of Net Position				
Assets:				
Current Assets	\$ 7,948,140	\$ 736,786	\$ 7,293,470	\$ 690,066
Noncurrent Assets	10,241,088	9,532,653	10,497,104	9,725,409
Deferred Outflows of Resources	80,353	-	87,755	-
Total Assets and Deferred Outflows of Resources	<u>\$ 18,269,581</u>	<u>\$ 10,269,439</u>	<u>\$ 17,878,329</u>	<u>\$ 10,415,475</u>
Liabilities:				
Current Liabilities	\$ 641,363	\$ 648,467	\$ 633,213	\$ 635,733
Noncurrent Liabilities	7,430,000	7,520,000	8,040,000	8,100,000
Total Liabilities	<u>8,071,363</u>	<u>8,168,467</u>	<u>8,673,213</u>	<u>8,735,733</u>
Net Position:				
Net Investments in Capital Assets	2,281,441	1,432,653	1,944,859	1,030,409
Unrestricted	7,916,777	668,319	7,260,257	649,333
Total Net Position	<u>10,198,218</u>	<u>2,100,972</u>	<u>9,205,116</u>	<u>1,679,742</u>
Total Liabilities and Net Position	<u>\$ 18,269,581</u>	<u>\$ 10,269,439</u>	<u>\$ 17,878,329</u>	<u>\$ 10,415,475</u>

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 16 SEGMENT INFORMATION (CONTINUED)

	2016		2015	
	WLU Revenue Refunding Bond 2013 as of Year Ended June 30, 2016	WLU Revenue Bond Issue 2012 as of Year Ended June 30, 2016	WLU Revenue Refunding Bond 2013 as of Year Ended June 30, 2015	WLU Revenue Bond Issue 2012 as of Year Ended June 30, 2015
Condensed Statements of Revenues, Expenses, and Changes in Net Position				
Operating:				
Operating Revenues	\$ 1,455,450	\$ 839,670	\$ 1,618,745	\$ 946,331
Net Operating Income	1,455,450	839,670	1,618,745	946,331
Nonoperating:				
Nonoperating Revenues	-	22	-	33
Nonoperating Expenses	(462,348)	(418,462)	(472,788)	(414,610)
Net Nonoperating Expense	(462,348)	(418,440)	(472,788)	(414,577)
Net Increase in Net Position	993,102	421,230	1,145,957	531,754
Net Position - Beginning of Year	9,205,116	1,679,742	8,059,159	1,147,988
Net Position - End of Year	\$ 10,198,218	\$ 2,100,972	\$ 9,205,116	\$ 1,679,742
Condensed Statements of Cash Flows				
Net Cash Provided by Operating Activities	\$ 1,455,450	\$ 839,670	\$ 1,618,745	\$ 946,331
Net Cash Used by Capital and Related Financing Activities	(802,529)	(792,950)	(802,840)	(824,749)
Net Increase in Cash and Cash Equivalents	652,921	46,720	815,905	121,582
Cash and Cash Equivalents - Beginning of Year	7,291,719	690,066	6,475,814	568,484
Cash and Cash Equivalents - End of Year	\$ 7,944,640	\$ 736,786	\$ 7,291,719	\$ 690,066

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 17 NATURAL CLASSIFICATIONS WITH FUNCTIONAL CLASSIFICATIONS

For the years ended June 30, 2016 and 2015, the following tables represent operating expenses within both natural and functional classifications:

	2016								
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation and Amortization	Loan Cancellations and Write-Offs	Fees Assessed by the Commission	Total
Instruction	\$ 9,420,051	\$ 2,295,697	\$ 793,464	\$ 25,441	\$ -	-	-	-	\$ 12,534,653
Research	281,788	9,462	209,422	23,216	-	-	-	-	523,888
Academic Support	1,100,834	308,683	155,358	296	-	-	-	-	1,565,171
Student Services	1,428,418	451,960	601,212	7,535	-	-	-	-	2,489,125
General Institutional Support	2,236,726	814,044	1,782,305	4,044	-	-	-	-	4,837,119
Operations and Maintenance of Plant	635,880	218,001	1,075,818	1,188,682	-	-	-	-	3,118,381
Student Financial Aid	-	-	-	-	2,549,593	-	-	-	2,549,593
Auxiliary Enterprises	1,890,627	569,258	4,097,770	659,785	-	-	-	-	7,217,440
Depreciation	-	-	-	-	-	2,928,760	-	-	2,928,760
Other	-	-	-	-	-	-	200,677	188,291	388,968
Total	<u>\$ 16,994,324</u>	<u>\$ 4,667,105</u>	<u>\$ 8,715,349</u>	<u>\$ 1,908,999</u>	<u>\$ 2,549,593</u>	<u>\$ 2,928,760</u>	<u>\$ 200,677</u>	<u>\$ 188,291</u>	<u>\$ 38,153,098</u>

	2015								
	Salaries and Wages	Benefits	Supplies and Other Services	Utilities	Scholarships and Fellowships	Depreciation and Amortization	Loan Cancellations and Write-Offs	Fees Assessed by the Commission	Total
Instruction	\$ 9,802,590	\$ 2,305,001	\$ 975,982	\$ 35,473	\$ -	\$ -	\$ -	\$ -	\$ 13,119,046
Research	282,368	8,078	235,128	23,342	-	-	-	-	548,916
Academic Support	1,231,233	325,349	318,792	1,165	-	-	-	-	1,876,539
Student Services	1,516,758	435,381	561,856	-	-	-	-	-	2,513,995
General Institutional Support	2,871,064	932,312	1,409,366	7,747	-	-	-	-	5,220,489
Operations and Maintenance of Plant	623,103	219,253	1,389,828	1,401,303	-	-	-	-	3,633,487
Student Financial Aid	-	-	-	-	2,819,899	-	-	-	2,819,899
Auxiliary Enterprises	1,907,614	534,604	4,300,205	738,578	-	-	-	-	7,481,001
Depreciation	-	-	-	-	-	2,965,294	-	-	2,965,294
Other	-	-	-	-	-	-	155,377	198,047	353,424
Total	<u>\$ 18,234,730</u>	<u>\$ 4,759,978</u>	<u>\$ 9,191,157</u>	<u>\$ 2,207,608</u>	<u>\$ 2,819,899</u>	<u>\$ 2,965,294</u>	<u>\$ 155,377</u>	<u>\$ 198,047</u>	<u>\$ 40,532,090</u>

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 18 COMPONENT UNIT'S DISCLOSURE

NATURE OF ACTIVITIES

The West Liberty University Foundation, Inc. (the Foundation) was formed to receive and administer funds for scientific, educational, and charitable purposes for the support and benefit of West Liberty University (the University). The Foundation is a separate nonprofit organization incorporated in the State and has as its purpose “. . . to aid, strengthen, and further in every proper and useful way, the work and services of the University and its affiliated nonprofit organizations. . . .” Oversight of the Foundation is the responsibility of an independently elected Board of Directors not otherwise affiliated with the University. The President of the University is a non-voting member of the Board of Directors. In carrying out its responsibilities, the board of directors of the Foundation employs management, forms policy, and maintains fiscal accountability over funds administered by the Foundation. Although the University does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests is restricted to the activities of the University by donors. While contributions are generally for the benefit and support of the University, the Foundation exercises discretion over the distribution of assets. Because these restricted resources held by the Foundation can only be used by, or for the benefit of, the University, the Foundation is considered a component unit of the University and is, therefore, discretely presented with the University's financial statements in accordance with GASB.

During the years ended June 30, 2016 and 2015, the Foundation contributed \$588,100 and \$4,098,355, respectively, to the University for scholarships, capital improvements, athletic, academic, and other programs.

The notes taken directly from the audited financial statements of the Foundation are as follows:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting – The financial statements of the Foundation have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Basis of Presentation – Financial statement presentation complies with the requirements of the Financial Accounting Standards Board in its Statement of Accounting Standards Codification (FASB ASC) No. 958-205, *Not-for-Profit Entities, Presentation of Financial Statements*. Under FASB ASC No. 958-205, the Foundation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 18 COMPONENT UNIT'S DISCLOSURE (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Presentation (Continued)

Assets and contributions that are not restricted by donors or for which restrictions have expired are unrestricted. Assets and contributions for which the donor has imposed restrictions that permit the Foundation to use or expend the donated assets for University support according to the restrictions are temporarily restricted. The restrictions are satisfied either by the passage of time or by actions of the Foundation. Assets and contributions for which the donor stipulates that resources be maintained permanently, but permits the Foundation to use or expend part or all of the income derived from the donated assets, are permanently restricted. Such assets are comprised of endowment accounts which are subject to the restrictions of gift instruments requiring that the principal be invested in perpetuity. The investment income, including realized and unrealized gains and losses, is recorded as temporarily restricted until disbursed according to the terms of the gift instrument.

Both temporarily and permanently restricted net assets are to be used for the support and benefit of West Liberty University.

Income Taxes – The West Liberty Foundation, Inc. is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

The Foundation has analyzed tax positions taken for filing with the Internal Revenue Service and all state and local jurisdictions where it operates. The Foundation believes that income tax filing positions will be sustained upon examination and does not anticipate any adjustments that would result in a material adverse effect on the Foundation's statement of financial position or statement of activities. Accordingly, the Foundation has not recorded any reserves, or related accruals, for interest and penalties for uncertain tax positions at June 30, 2016. The Foundation's tax returns through 2012 have been closed for purposes of examination by taxing authorities.

Use of Estimates – The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period, as well as disclosures. Accordingly, actual results could differ from those estimates.

Contributions – Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted net assets depending on the existence or nature of any donor restrictions. All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as temporarily restricted or permanently restricted support that increases those net asset classes. When a temporary restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 18 COMPONENT UNIT'S DISCLOSURE (CONTINUED)

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Contributions (Continued)

Contributions of donated noncash assets are recorded at their fair values in the period received. Contributions of donated services that create or enhance nonfinancial assets or require specialized skills that are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation, are recorded at their fair values in the period received.

Unconditional promises to give that are expected to be collected within one year are recorded at estimated net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using risk-free interest rates for United States Government securities. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not recorded as support until the conditions are substantially met.

Investments – Investments in equity securities and all debt securities are reported at their fair value based upon quoted market prices.

The Foundation operates a pooled investment portfolio for all funds. New funds or additions to existing funds are assigned a share in the investment pool based upon the amount of cash or estimated fair value of securities deposited. Income, including unrealized appreciation or depreciation and realized capital gains and losses, is allocated on a monthly basis.

Income from Investments – All investment income in the form of interest and dividends is credited to unrestricted net assets unless otherwise designated by the donor. All capital appreciation/depreciation earned on permanently restricted, temporarily restricted, or unrestricted investments is credited to unrestricted net assets unless otherwise restricted by the donor.

Cash Surrender Value of Insurance Policies – The Foundation records as an asset the cash surrender value of life insurance policies for which it is the owner and beneficiary.

Cash and Cash Equivalents – For purposes of the statement of cash flows, the Foundation considers all highly liquid investments available for current use with an initial maturity of 3 months or less to be cash equivalents. Money market funds included in non-current investments are not considered cash equivalents.

Reclassifications – Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation. Reclassifications had no effect on 2015 changes in net assets or total net assets. The Foundation reassessed its presentation of investment income for certain funds. As a result, \$1,274,588 was reclassified from unrestricted to temporarily restricted net assets as of July 1, 2014, and \$207,471 for the year ended June 30, 2015.

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 18 COMPONENT UNIT'S DISCLOSURE (CONTINUED)

PLEDGES RECEIVABLE

Unconditional promises to give at June 30, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Receivable in one year	\$ 195,550	\$ 93,479
Receivable in two to five years	<u>50,000</u>	<u>126,000</u>
Total unconditional promises to give	245,550	219,479
Less discounts to net present value	<u>3,324</u>	<u>9,284</u>
Net unconditional promises to give	<u>\$ 242,226</u>	<u>\$ 210,195</u>

The discount rate used on long-term pledges was 3.50 percent for the period ended June 30, 2016.

An allowance for uncollectible promises is provided based on management's evaluation of potential uncollectible promises receivable at year end. At June 30, 2016 and 2015, management determined that all outstanding promises to give are fully collectible.

INVESTMENTS

The cost and estimated fair values of investments at June 30, 2016 and 2015, are as follows:

	<u>2016</u>		<u>2015</u>	
	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>
Money market funds	\$ 315,107	\$ 315,107	\$ 311,304	\$ 311,304
Corporate bonds and notes	415,338	398,997	414,174	399,275
United States Treasury obligations	618,007	623,770	618,201	625,320
Equity securities	7,837,999	7,433,930	6,651,102	6,087,797
Mutual funds	2,395,707	2,307,652	3,687,440	3,570,456
Alternative investment funds	748,954	667,760	1,296,753	1,183,003
Mortgage loan	<u>130,098</u>	<u>130,098</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 12,461,210</u>	<u>\$ 11,877,314</u>	<u>\$ 12,978,974</u>	<u>\$ 12,177,155</u>

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 18 COMPONENT UNIT'S DISCLOSURE (CONTINUED)

INVESTMENTS (CONTINUED)

The following schedule summarizes the investment income and its classification in the statement of activities for the years ended June 30, 2016 and 2015.

	June 30, 2016			Total
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Interest, dividends and distributions	\$ 90,257	\$ 146,599	\$ 94,332	\$ 331,188
Realized losses	(124,898)	(201,276)	-	(326,174)
Unrealized losses	(76,366)	(145,361)	-	(221,727)
Investment fees	(16,260)	(26,202)	-	(42,462)
Total	<u>\$ (127,267)</u>	<u>\$ (226,240)</u>	<u>\$ 94,332</u>	<u>\$ (259,175)</u>

	June 30, 2015			Total
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Interest, dividends and distributions	\$ 134,467	\$ 135,634	\$ 104,661	\$ 374,762
Realized gains	318,222	318,186	-	636,408
Unrealized losses	(115,930)	(119,431)	-	(235,361)
Investment fees	(24,545)	(24,542)	-	(49,087)
Total	<u>\$ 312,214</u>	<u>\$ 309,847</u>	<u>\$ 104,661</u>	<u>\$ 726,722</u>

Investments include securities held to satisfy charitable gift annuity agreements as follows:

	<u>2016</u>	<u>2015</u>
Fair value	<u>\$ 169,313</u>	<u>\$ 196,056</u>
Cost	<u>\$ 121,207</u>	<u>\$ 128,212</u>

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 18 COMPONENT UNIT'S DISCLOSURE (CONTINUED)

SPLIT-INTEREST AGREEMENTS

Split-interest agreements consist of beneficial interests in perpetual trusts and charitable gift annuities. The Foundation was bequeathed a beneficial interest in a perpetual trust in accordance with a decedent's will. Under the terms of this split-interest agreement, the Foundation is to receive distributions of 10 percent of the income from the trust in perpetuity. These distributions are to be used to establish an endowment, the income from which will be used to provide scholarships. The Foundation's beneficial interest is valued in the statement of financial position at 10 percent of the fair market value of the trust assets. Adjustments due to changes in the market value of the trust assets are recorded as changes in value of split-interest agreements. Distributions received from the trust are permanently restricted for endowed scholarships and are recorded as permanently restricted investment income.

The Foundation participates in charitable gift annuity agreements with certain donors. Under these agreements, temporarily restricted contribution revenue is recorded when donors transfer assets to the Foundation. The amount of revenue recognized is the difference between the fair value of the assets received and the liability calculated at the net present value of the estimated future payments to the beneficiaries over their life expectancies. In estimating the net present value of the liability, the Foundation uses life expectancy information prepared by the American Council on Gift Annuities. The discount rate for each charitable gift annuity is established at the beginning of the agreement. The discount rate applied to gift annuities held at June 30, 2016 and 2015 is 0.10 percent.

The following summarizes the transactions affecting the beneficial interest in perpetual trust for the years ended June 30, 2016 and 2015:

	2016	2015
Distributions received from the trust recorded as a permanently restricted investment	<u>\$ 94,332</u>	<u>\$ 104,661</u>
Change in value of split-interest agreements	<u>\$ (112,577)</u>	<u>\$ (101,621)</u>

TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Net assets were temporarily and permanently restricted for the following purposes at June 30:

	2016		2015	
	Temporarily Restricted	Permanently Restricted	Temporarily Restricted	Permanently Restricted
Scholarships	\$ 3,265,652	\$ 10,096,944	\$ 3,713,213	\$ 9,959,356
Sponsored Projects	220,202	-	257,326	-
Capital Projects	8,581	-	-	-
Totals	<u>\$ 3,494,435</u>	<u>\$ 10,096,944</u>	<u>\$ 3,970,539</u>	<u>\$ 9,959,356</u>

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 18 COMPONENT UNIT'S DISCLOSURE (CONTINUED)

CONCENTRATIONS OF CREDIT RISK

Financial instruments, which potentially subject the Foundation to a concentration of credit risk, consist principally of pledges receivable, investment securities, and cash. Exposure to losses on pledges receivable is principally dependent on each donor's financial condition. The Foundation monitors the exposure for credit losses and maintains allowances for anticipated losses as necessary.

Investments are recorded at fair value. Investment securities are exposed to various risks, such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least possible that changes in the value of investment securities will occur in the near term and that such changes could materially affect the Foundation's statements of financial position and activities.

Cash balances in banks are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At June 30, 2016, the Foundation had no uninsured cash balances.

FAIR VALUE MEASUREMENTS

As required by U.S. GAAP, each financial asset and liability must be identified as having been valued according to specified level of input. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Foundation has the ability to access at the measurement date. Fair values determined by Level 2 inputs utilize inputs other than quoted prices included in Level 1 that are observable for the asset, either directly or indirectly. Level 2 inputs include quoted prices for similar assets in active markets, and inputs other than quoted prices that are observable for the asset or liability. Level 3 inputs are unobservable inputs for the asset and include situations where there is little, if any, market activity for the asset or liability. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy, within which the fair value measurement in its entirety falls, has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The Foundation's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset.

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 18 COMPONENT UNIT'S DISCLOSURE (CONTINUED)

FAIR VALUE MEASUREMENTS (CONTINUED)

As of June 30, 2016 and 2015, equity securities and mutual funds are classified as Level 1 securities and are valued using observable market prices. Debt securities are classified as Level 2 securities and are valued using matrix pricing or other market approaches. The mortgage loan was acquired on June 30, 2016. Its fair value is estimated at the amount of funds disbursed on that date. The Foundation's fair value of assets and liabilities reported on the statement of financial position at their fair value as of June 30, 2016 and 2015, are summarized below, by level.

June 30, 2016

Valued on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Equity securities	\$ 7,837,999	\$ -	\$ -	\$ 7,837,999
Debt securities	-	1,033,345	-	1,033,345
Mutual funds	2,395,707	-	-	2,395,707
Alternative investment funds	748,954	-	-	748,954
Money market funds	315,107	-	-	315,107
Mortgage loan	-	-	130,098	130,098
Investments at Estimated Fair Value	<u>11,297,767</u>	<u>1,033,345</u>	<u>130,098</u>	<u>12,461,210</u>
Beneficial interest in perpetual trust	<u>2,056,347</u>	<u>-</u>	<u>-</u>	<u>2,056,347</u>
Total	<u>\$ 13,354,114</u>	<u>\$ 1,033,345</u>	<u>\$ 130,098</u>	<u>\$ 14,517,557</u>

June 30, 2015

Valued on a recurring basis:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Assets:				
Equity securities	\$ 6,651,102	\$ -	\$ -	\$ 6,651,102
Debt securities	-	1,032,375	-	1,032,375
Mutual funds	3,687,440	-	-	3,687,440
Alternative investment funds	1,296,753	-	-	1,296,753
Money market funds	311,304	-	-	311,304
Mortgage loan	-	-	-	-
Investments at Estimated Fair Value	<u>11,946,599</u>	<u>1,032,375</u>	<u>-</u>	<u>12,978,974</u>
Beneficial interest in perpetual trust	<u>2,168,924</u>	<u>-</u>	<u>-</u>	<u>2,168,924</u>
Total	<u>\$ 14,115,523</u>	<u>\$ 1,032,375</u>	<u>\$ -</u>	<u>\$ 15,147,898</u>

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 18 COMPONENT UNIT'S DISCLOSURE (CONTINUED)

ENDOWMENT FUNDS

Endowment Investments

The Foundation's endowment consists of approximately 100 individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Directors to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of Directors of the Foundation has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the Foundation classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the Foundation in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the Foundation considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the Foundation, and (7) the Foundation's investment policies.

Investment Return Objectives, Risk Parameters, and Strategies – The Foundation has adopted investment and spending policies, approved by the Board of Directors, for endowment assets which create the framework for a well-diversified asset mix that can be expected to generate long-term returns at a level of risk suitable to West Liberty University Foundation, Inc. Accordingly, the Foundation takes a total return approach regarding endowment assets. The assets are to be invested for the long-term, and a higher short-term volatility in these assets is to be expected and accepted. The total return approach is designed to give the Foundation financial flexibility with regard to ongoing capital structure decisions. The Foundation has a tolerance to accept short-term volatility in the value of the funds in line with the market fluctuations to seek long-term capital growth. Domestic equities of both large and small capitalization, fixed-income, and cash equivalents have been determined to be acceptable vehicles for plan assets. Additional asset classes and style strategies may be incorporated into the investment philosophy in the future.

Spending Policy – The Foundation has a policy for appropriating for distribution up to 4 percent of the value of the endowment assets. This amount will be calculated using a rolling 3-year moving average of the market value of the funds at fiscal year-end.

WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015

NOTE 18 COMPONENT UNIT'S DISCLOSURE (CONTINUED)

ENDOWMENT FUNDS (CONTINUED)

Endowment net asset composition by type of fund is set forth below:

	June 30, 2016			Total Net Endowment Assets
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor-restricted endowment funds	\$ -	\$ 2,224,607	\$ 8,040,597	\$ 10,265,204
Board-designated endowment funds	<u>178,492</u>	<u>-</u>	<u>-</u>	<u>178,492</u>
Total	<u>\$ 178,492</u>	<u>\$ 2,224,607</u>	<u>\$ 8,040,597</u>	<u>\$ 10,443,696</u>

	June 30, 2015			Total Net Endowment Assets
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Donor-restricted endowment funds	\$ -	\$ 2,736,225	\$ 7,790,432	\$ 10,526,657
Board-designated endowment funds	<u>326,762</u>	<u>-</u>	<u>-</u>	<u>326,762</u>
Total	<u>\$ 326,762</u>	<u>\$ 2,736,225</u>	<u>\$ 7,790,432</u>	<u>\$ 10,853,419</u>

Changes in endowment net assets are as follows:

	June 30, 2016			Total Net Endowment Assets
	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	
Endowment net assets, beginning of year	\$ 326,762	\$ 2,736,225	\$ 7,790,432	\$ 10,853,419
Contributions	19,000	9,470	155,833	184,303
Investment income	(15,202)	(314,923)	94,332	(235,793)
Program revenue	-	70,417	-	70,417
Amounts appropriated for expenditure	<u>(152,068)</u>	<u>(276,582)</u>	<u>-</u>	<u>(428,650)</u>
Endowment net assets, end of year	<u>\$ 178,492</u>	<u>\$ 2,224,607</u>	<u>\$ 8,040,597</u>	<u>\$ 10,443,696</u>

**WEST LIBERTY UNIVERSITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016 AND 2015**

NOTE 18 COMPONENT UNIT'S DISCLOSURE (CONTINUED)

ENDOWMENT FUNDS (CONTINUED)

	June 30, 2015			Total Net Endowment Assets
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Endowment net assets, beginning of year	\$ 175,785	\$ 2,584,357	\$ 7,554,499	\$ 10,314,641
Contributions	160,000	11,142	131,272	302,414
Investment income	15,735	199,559	104,661	319,955
Program revenue	-	24,379	-	24,379
Amounts appropriated for expenditure	(24,758)	(83,212)	-	(107,970)
 Endowment net assets, end of year	\$ 326,762	\$ 2,736,225	\$ 7,790,432	\$ 10,853,419

NOTE 19 – SUBSEQUENT EVENTS

On July 1, 2016, the University purchased a piece of property adjacent to the University for \$128,000 to provide additional student housing. To fund the purchase of this property the West Liberty Foundation funded a loan to the University in the amount of \$130,098, which includes the purchase price of the property and any settlement charges. The terms of this loan include an interest rate of 3% to be paid off over ten years ending on July 1, 2026.

WEST LIBERTY UNIVERSITY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULES OF PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS
JUNE 30, 2016 AND 2015

Schedule of Proportionate Share of TRS Net Pension Liability

(In Thousands)

Measurement Date	University's Proportionate Share as a Percentage of Net Pension Liability	University's Proportionate Share	State's Proportionate Share	Total Proportionate Share	University's Covered Employee Payroll	University's Proportionate Share as a Percentage of Covered Payroll	University's Plan Fiduciary Net Position as a Percentage of Total Pension Liability
June 30, 2014	0.018471%	\$ 637	\$ 1,440	\$ 2,077	\$ 568	112%	65.95%
June 30, 2015	0.018917%	\$ 656	\$ 1,496	\$ 2,152	\$ 501	131%	66.25%

Schedule of Employer Contributions

(In Thousands)

Measurement Date	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a Percentage of Covered Payroll
June 30, 2015	\$ 84	\$ 85	\$ (1)	\$ 568	14.96%
June 30, 2016	\$ 86	\$ 93	\$ (7)	\$ 501	18.56%

These schedules are intended to show information for ten years. Additional years will be displayed as they become available.

Notes to Required Supplementary Information
For the Year Ended June 30, 2016

There are no factors that affect trends in the amounts reported, such as a change of benefit terms or assumptions. With only two years reported in the required supplementary information, there is no additional information to include in the notes. Information, if necessary, can be obtained from the CPRB Comprehensive Annual Financial Report.



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Governing Board
West Liberty University
West Liberty, West Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the business-type activities and the discretely presented component unit of West Liberty University as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements, and have issued our report thereon dated January 23, 2017. Our report includes a reference to other auditors who audited the financial statements of the West Liberty University Foundation, Inc. (the Foundation), the University's discretely presented component unit, as described in our report on the University's financial statements. The financial statements of the Foundation were not audited in accordance with *Government Auditing Standards* and, accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Foundation.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the University's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses to be a material weakness (2016-001).

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses to be a significant deficiency (2016-002).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether West Liberty University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

West Liberty University's Responses to Findings

West Liberty University's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The University's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the University's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Plymouth Meeting, Pennsylvania
January 23, 2017

**WEST LIBERTY UNIVERSITY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2016**

CURRENT YEAR

2016-001: Lack of Segregation of Duties

Condition

There was a lack of segregation of duties for a significant period of time during the year ended June 30, 2016. The same individual that performed bank reconciliations also had signing authority for certain bank accounts. This same individual also received cash directly from students and recorded cash transactions to the general ledger. In addition, the cash journal entries as well as other journal entries were discussed between the CFO and the individual preparing and recording the journal entries, however, there was no evidence of review or approval.

Criteria

The individual that performs bank reconciliations should not be the same person that has bank signing authority. In addition, the individual directly receiving cash should not be the same individual recording cash transactions to the general ledger. Journal entries should be reviewed so that adjustments, if any, can be made on a timely basis.

Cause

The lack of segregation of duties existed at June 30, 2016, due to significant turnover of personnel during the year. This also led to the review and approval process of journal entries not being documented.

Possible Asserted Affect

Management could improperly record, process, summarize or report financial data and be unable to detect such errors or omissions. This could result in a misappropriation of assets.

Auditors' Recommendation

We recommend the University review and modify its internal control system to assure all proper controls are in place to address the lack of segregation of duties.

Views of Responsible Officials and Planned Corrective Actions:

Explanation of disagreements with audit finding: There is no disagreement with the audit finding.

Actions planned in response to the finding: Staffing in the department has stabilized over the past few months and duties have been distributed. The director of accounting updated the internal control handbook for 2016 and reviewed and completed a supplemental report of internal control in November 2016. Any items still questionable at that time were addressed. As the department continues to solidify and restructure, internal control will be reviewed as changes occur. In addition, a staff member will be responsible for the ongoing monitoring of internal control for the department and will report regularly to the VP of Finance and Administration.

**WEST LIBERTY UNIVERSITY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2016**

2016-001: Lack of Segregation of Duties (Continued)

Responsible party: Roberta C. Linger

Planned completion date for corrective action plan: The lack of segregation of duties has been addressed and remedied. However, to ensure completion, a review of procedures will occur in February 2017 with a final report in March 2017.

Plan to monitor completion of corrective action plan: A review of the status of internal control will occur in February 2017. In addition, staff will be asked to bring any questionable procedures to the attention of the VP of Finance and Administration and / or the director of accounting for further review.

**WEST LIBERTY UNIVERSITY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2016**

2016-002: Accounts Payable Cutoff

Condition

Several invoices related to the year ended June 30, 2016 were not properly recorded to the proper fiscal year end.

Criteria

Accounts payable procedures should include proper cutoff between the current and next fiscal year.

Cause

Due to the limited personnel, accounts payable cutoff procedures were compromised.

Possible Asserted Affect

Improper cutoff increases the potential for misstatement of liabilities.

Auditors' Recommendation

We recommend the University management review and modify its internal control system to assure all proper controls are in place to address proper accounts payable cutoff.

Views of Responsible Officials and Planned Corrective Actions:

Explanation of disagreements with audit finding: There is no disagreement with the audit finding.

Actions planned in response to the finding: Internal controls and year end procedures will be reviewed and monitored to ensure that all payables are booked or accrued to the appropriate fiscal year. A plan will be implemented to insure appropriate purchasing cutoff procedures and all outstanding invoices are booked to the appropriate year.

Responsible party: Director of Accounting

Planned completion date for corrective action plan: April / May 2017

Plan to monitor completion of corrective action plan: Implementation of the plan will be discussed at staff meetings and will be the responsibility of the director of accounting to ensure the roll out and compliance with dates and deadlines.